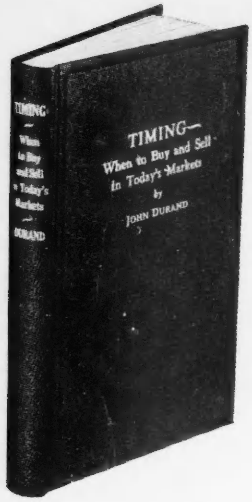

CONTENTS

Today's Economic Setting.

—The influence of managed money and economic planning on business profits and security values.

I. Understanding Modern Markets.

—Thin markets—the effect of uniform margin requirements—restrictions on manipulation—foreign influence—investor vs. speculator.

—Timing the swings—distribution—appraising the short interest—habit and previous action.

II. Charts—Their Use, Advantages and Limitations.

—Line or bar—point and figure—trends—trend lines—supply and demand areas—head and shoulders—triangle formations—rounding and complex tops and bottoms—island reversal—gaps.

III. When to Buy and When to Sell.

—Recognizing turning points—gauging sentiment.

—Tape reading—temperament of a tape reader—distance in tape reading—interpreting the tape.

IV. Mechanics of the Market.

—What you need to know about orders—odd lot orders—margin requirements—acceptable collateral.

—Points on short selling—puts and calls—taxes and commissions.

V. Selecting Industries and Individual Issues.

—Profit trends in dynamic vs. static industries—market leaders vs. inactive issues—studying the market record.

—Selecting opportunities for the short, intermediate and longer term.

—Analyzing financial statements—the balance sheet—the income statement—leverage.

—Shaping your portfolio—balance vs. diversification—profit vs. income—proportion of common stocks.

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4. The fundamentals of tape reading?
5. How to gauge supply and demand areas under present margin regulations?
6. How to analyze financial statements?
7. How to determine the prospects of an individual industry—or corporation?
8. How to place orders for maximum profit and safety . . . figure your equity?
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CONTENTS

THE TREND OF EVENTS 69
Essential Steps to Recovery 71
Market Over the Near Term. By A. T. Miller 72
Happening in Washington. By E. K. T. 74
Recovery Without Inflation? By H. M. Tremaine 76
Revolt Against New Deal Brightens Business Prospects. By Ray Tucker 78
Extent of Hazards in Companies with Foreign Stakes—Part II. By Norman Trumbull Carruthers 80
Promise of Bountiful Crops Helps Farm Equipment Companies. By C. Hamilton Owen 83
First Quarter Earnings and Second Quarter Prospects. By J. C. Clifford 86
Stocks Selling Below Net Quick Assets. By George W. Mathes 89
Douglas Aircraft Company (Larger Earnings Indicated). By Cyrus G. V. White 90
Trading Opportunities in Technical Indications. By Frederick K. Dodge 94
The Investment Clinic. Conducted by J. S. Williams 96
FOR PROFIT AND INCOME 98
Air Reduction Company. By Morton Diehl 100
How to Improve Your Security Position. By Edwin A. Barnes 102
THE BUSINESS ANALYST 105
ANSWERS TO INQUIRIES 113
New York Stock Exchange 115
New York Curb Exchange 119
Forthcoming Dividend Meetings 124
Dividends Recently Declared 125
Banks, Insurance and Investment Trusts 127

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With The Editors

De-Sterilizing Gold

SINCE the announcement that the Treasury was to "de-sterilize" some $1,400,000,000 of gold, we have received many inquiries as to exactly what was meant by this. In reply we offer this concise explanation.

To better understand the meaning of gold de-sterilization, let us first look into the process under which it is sterilized—by "sterilization" is meant the prevention of its entering the banking structure where it can act as a base for credit many times its own value.

Foreigners ship gold to the United States and some New York member bank acting as consignee credits the foreigner with the proceeds. The gold is then moved to the New York Federal Reserve Bank which, in turn, credits the New York member bank. The Federal Reserve Bank transfers the gold to the Treasury in exchange for gold notes. The Treasury stores gold in its Kentucky repository.

This is the normal procedure and it is the gold notes with the Federal Reserve Bank that provide the basis for credit expansion, for these notes are member bank reserves.

On the other hand, when the gold is sterilized, the Treasury, instead of issuing gold notes to the Reserve Bank, sells bonds, i.e. borrows money from the public, and with the proceeds pays for the gold. In this way the gold does not enter the banking structure to act as the basis for credit but remains in "dead storage."

Gold was originally sterilized in December, 1936, because it represented "hot money" coming to this country in excessively large quantities. Sterilization was intended to provide a means whereby foreigners could repatriate their funds without contracting the credit base in this country. As the gold was withdrawn, the Treasury would retire the bonds that had been issued to pay for it until, finally, all would be as it once was so far as sterilized gold was concerned.

But it now appears that we are to depart from the original plan: we do not intend to keep the sterilized gold as a reserve against a foreign repatriation of funds. Neither do we intend to retire more than a part of the bonds that *were issued expressly to pay for this gold.* The Treasury has issued to the Reserve Banks $1,400,000,000 in gold notes and has been credited on their books with this amount. The de-sterilized gold will enter the country's credit supply as the Treasury draws upon its deposits with the Reserve Banks to pay its bills. In order to speed up the gold's entry into the credit supply, it was recently announced that $50,000,000 in Treasury bills would be retired weekly "until further notice." To this extent the Federal debt which was contracted to pay for the gold will be reduced, but to the extent that the Treasury pays its running expenses with the proceeds from the de-sterilized gold it will be using borrowed money—albeit money that was borrowed previously and for an entirely different purpose.

*** * * IN THE NEXT ISSUE * * ***

How the New Tax Law Will Affect Business and Security Markets

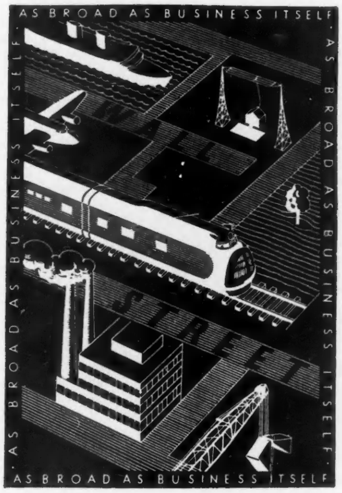
BY M. L. SEIDMAN

Nesmith

Although foreign trade is only a small part of our total trade, it is of great importance to thousands of workers who live by shipping, to a half dozen or more of our great port cities and to a number of American companies. For companies with important foreign stakes in trade and branch factories, see page 80.

THE MAGAZINE OF WALL STREET

E. Kenneth Burger, *Managing Editor* : C. G. Wyckoff, *Publisher* : Theodore M. Knappen, Laurence Stern, *Associate Editors*



The Trend of Events

THANKS TO CONGRESS . . . The compromise tax bill agreed to by conferees of Senate and House is on the verge of adoption by a recovery-minded Congress and probably will soon be made law by the President's signature. Exception can be taken to some features of this bill, but its good points so far outweigh the bad that it ranks as an event of major and hopeful significance to industry and finance. The principle of the undistributed earnings tax is retained—as concession to Mr. Roosevelt's insistence on "saving face"—but in a degree so curtailed as to leave it with little meaning. The capital gains tax, under critical fire for years, is at last drastically modified. If Congress had done nothing else at this session, its revision of the latter tax would stand as a constructive job of the first importance.

This is the first Federal legislation we have had in years which is effectively aimed at encouraging the flow of corporate and personal savings into investment. While the corporate tax is heavy—ranging from 16½ to 19 per cent, depending on proportion of earnings paid out in dividends—it does restore to managerial judgment the question of what disposition shall be made of the bulk of earnings. The new capital gains tax amounts to a flat rate of 20 per cent, as regards assets held from eighteen months to two years, and to 15 per cent on gains from assets held more than two years if the latter tax is lower than combined normal income tax and surtax. While these rates should be lower, they nevertheless will permit wealthy investors to retain the major portion of gains realized on capital investments and hence should tend to encourage such investors to embark on new profit-seeking commitments.

It is true that high surtaxes on dividend income remain an obstacle to venture commitments by the wealthy but, since any revision here is out of the question at present, we can perhaps look to the proposed elimination of future issues of tax exempt securities as one way of cutting through this restriction. The new capital gains tax should before long create a larger demand for common stocks of good quality. The revised corporate tax will bear tangible fruit only when restoration of earning power supplies incentive and wherewithal for expanded investment on plant and equipment. All in all, Congress has done an excellent piece of work, with the leadership of Senator Harrison meriting special praise.

THE INVENTORY PROBLEM . . . As is natural, greater progress has been made in working down excessive stocks of consumption goods than of durable goods. Although statistics relating to this subject are neither as complete nor as timely as one could wish, all indications suggest that both manufacturer and dealer inventories of durable goods remain excessive. Significant, and probably typical, is the report of the Federal Reserve Bank of

Business, Financial *and* Investment Counselors · 1907 — *"Over Thirty Years of Service"* — 1938

Chicago—the only Reserve bank issuing such figures—that in its area at the end of March dealer inventories of new cars were equal to those of a year ago, while used car stocks were but little more than 3 per cent smaller. Demand is about half that of a year ago. This data covers the states of Iowa, Illinois, Indiana, Michigan and Wisconsin. It lends credence to reports that the motor industry will shut down earlier than usual this year in the model change-over period.

In two of our last three depressions abnormal forward buying and excessive inventories have played important causative roles. The blame cannot be placed entirely on the doorstep of the Government. Business judgment enters into it, and business judgment was over-optimistic in late 1936 and early 1937 much as it was in 1919-1920. Business men might make a contribution to economic stability by studying carefully all possible means of safeguarding against future mistakes of this kind, even though no perfect solution is available. Hedging operations are possible in some commodities and should be more widely used. Consideration might be given to setting up larger reserves against inventory depreciation. A few companies utilize special methods of inventory accounting designed to restrict losses, and their example is worth emulating.

Finally, the extent to which business men should risk speculating on a future price trend is a serious question worthy of consideration and debate from every aspect. One thing is certain; namely, that in our economy—except in time of war—shortage of goods is always abnormal and temporary. A sellers' market is an unnatural phenomenon and should be regarded with skepticism.

ENDING TAX EXEMPTION . . . It is to be hoped that Congress will comply promptly with the President's request for legislation ending tax exemption on all future issues of Federal, state and municipal bonds and authorizing Federal and state taxation of the salaries of all public service employees.

This twin reform has long been overdue. For more than a generation every Secretary of the Treasury has advocated abolition of tax exempt securities. Secretary Mellon best stated the case for such abolition. His first argument was that issuance of tax exempt bonds, commanding low interest rates, encouraged growth of public indebtedness. His second point was that capital was taking refuge in such bonds instead of entering productive enterprise. His third criticism was that tax exemption created a privileged class, repugnant to the American idea. He did not advance the reform as a means of increasing governmental revenues. In contrast, Mr. Roosevelt put first emphasis on getting more revenues for governments to spend, and touched but lightly on the more cogent reasons for ending tax exemption.

Relative to present public spending habits, the gain in tax revenues sought by the President will not be a vital matter. If his proposal is adopted, the important consequences will be a tendency to make governmental borrowing less easy and alluring, and a tendency to check diversion of capital from productive endeavor to the safe haven of tax exempt securities. Present tax exemption does not rest on any specific provision of the Constitution but on a series of Supreme Court interpretations. From a layman's point of view, we are inclined to agree with the President that the Sixteenth Amendment to the Constitution, adopted in 1913, should mean exactly what it says in expressly authorizing Congress "to lay and collect taxes on incomes from whatever source derived." A Supreme Court minority held virtually this view years ago. That minority's general judicial philosophy is now the philosophy of a Supreme Court majority. Hence the chances are that the Court would uphold the simple statute asked by the President.

WHOLESOME CORPORATE CANDOR . . . There has been one important difference between the Roosevelt depression and the Hoover depression which preceded it: neither corporate officials nor politicians have made any very serious attempt to talk the former out of existence. One will remember the stream of reassuring statements which commenced to flow from Washington and big business in the fall of 1929 and continued unceasingly until even a blind man could ignore the realities no longer. Why, in 1929 even the play-boy mayor of our biggest city saw fit to proclaim from the housetops that the situation was "fundamentally sound." Today, there is a tendency not to mince matters in any way. A Secretary of the Treasury sees fit to announce publicly that "business has been getting worse each week." Nor have a number of corporate officials been any less frank. Mr. Girdler of Republic Steel said recently: "I am not only blue about Republic, but I am blue on industry and business generally and also on the rate of Federal spending." At the annual meeting of Montgomery Ward & Co. several officers spoke on the condition of the company's business and in no case was there any attempt to avoid realities or to give the impression that all was bright and beautiful around the corner. Mr. Fogarty of the North American Co. is another who has conducted a frank and open meeting of his stockholders in recent weeks.

These are not isolated instances, but a few selected at random illustrative of a trend which is to be commended. In some respects, of course, it is a logical outgrowth of the "truth in securities" theory which is the keystone of the S E C's policy. On the other hand, we might have had complete and correct figures and still had them interpreted by individuals wearing rose-colored glasses. But it seems that the investor is to have the benefit not only of full and correct figures but also the opinions of men in a position to know expressed without buncombe. This is all he can reasonably ask.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 72. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, May 2, 1938.

Essential Steps to Recovery . . .

In less than a decade we have had one major depression under "rugged individualism" and another major depression under "government planning." Our primary problem now is to seek a sane and workable compromise between the two extremes—to define and harmonize the functions of government with the functions of private enterprise in aiming at maximum production of the goods and services upon which both security and living standards depend. During the past five years the pendulum has swung too far toward government-run-everything. The result has been an economic failure. The minimum changes in government policy required to activate a privately-financed recovery are as follows:

1. Sane Tax Revision.

We now have a cumbersome, overlapping, unscientific, incentive-retarding aggregation of taxes which have been imposed far more with regard to governmental needs or desires than with regard to encouraging maximum productivity of our economic system. The Government should begin a long range program of gradual revision on the underlying principle of promoting business volume, rather than of collecting all that the traffic will bear. There is no "social justice" in soak-the-rich taxes which merely retard economic expansion and re-employment by driving the wealthy into tax-exempt bonds. The highest income tax rates are now non-productive and should be lowered. Since corporate taxes are really a part of the cost of doing business, we should consider taxing gross at a low rate, rather than net income at a high rate. This would produce much more stable revenues. At a minimum, we should return to a flat corporate income tax; and a flat capital gains tax at not more than 15 per cent. *Fortunately, it now is certain that Congress will make a substantial start on tax revision in adopting the compromise bill eliminating some of the worst features of the present undistributed earnings and capital gains taxes. This is the first Federal legislation in many years effectively aimed at encouraging private investment.*

2. Moratorium on Economic and Social Reforms.

The reforms imposed upon industry and finance since the spring of 1933 have been more than our system can digest within so brief a period. Letting zeal overreach itself, the New Deal has tried to do too many things too fast. Mr. Roosevelt should announce flatly that during the remainder of his term he will offer no additional experiments and that he will seek merely to consolidate the reforms he has instituted and to make them workable. *It is not probable that the President will do any such thing. There is strong evidence, however, that Congress itself has tacitly declared a moratorium. It will adjourn in a few weeks.*

3. Amend the Wagner Act.

The Government's labor policy is blatantly partisan and biased, both as stated in the Wagner Act and as administered by the National Labor Relations Board. A sane and fair revision of this law would do more for recovery than any pump priming scheme the New Deal can devise. Workers should be protected from coercion of any kind from any source. Rights and responsibilities of both employers and employees should be clearly defined. Accurate polls show that public regulation of labor unions is favored by the rank and file of workers. The opposition centers in paid union leaders and politicians subservient to them. *No change is likely this year.*

4. Make Peace with the Utilities.

The amount of potential capital investment by the electric utilities that has been choked off by the Government's hostile and competitive policy probably exceeds the sums that Mr. Roosevelt now proposes to spend in an effort to revive industrial activity. A fair compromise should be negotiated with the object of re-opening capital expansion by the private utilities. This will involve considerable change in policy with which present Federal power projects are being administered, as well as assurance that the Government will not go into new regions at least until present ventures have proved their merit, if any. *No remedial change on this point is indicated.*

5. Quit Pump Priming Ventures.

There is no proof whatever that pump priming expenditures by the Federal Government actually increase the national income. Against the argument that a billion of such spending, circulating at first, second and third hand, will produce two or three billions of national income, the answer is that at the same time equally as much—if not more—private spending and private investment is scared out of the picture. Spending of $18,000,000,000 for pump priming between 1933 and 1937 having failed to do more than produce a temporary recovery, it is obvious that the present plan will work no better. Even at the present depressed level, private enterprise is producing a national income many times greater than the sum Mr. Roosevelt proposes to spend. *The Government should not resume deficit spending. It should give private enterprise inducement to earn more, invest more, spend more.*

6. Sound Help for the Railroads.

It must be conceded that the railroad problem is enormously complex and that no magical solution is possible. Government support for a temporary wage cut—rail wages being by *(Please turn to page 127)*

Market Over Near Term

By A. T. MILLER

During the past fortnight the stock market has given up most of the sentiment-based upturn which followed defeat of the President's reorganization bill and announcement of the new Federal pump priming proposals, but at this writing it shows a measure of resistance around a level some 12 per cent above the low of March 31. The latter mark, a month behind us now, continues thus far to stand as the bear market low.

It is encouraging that this third—and probably final—phase of the bear movement shows no inclination to develop sustained momentum, such as was seen at this season in 1931 and 1932. It is encouraging also that, despite a drab business setting, the first four months of 1938 have produced to date a net decline of only some 8 points in our index of 330 stocks. Nevertheless, even though there are current indications of waning momentum and increasing selectivity in the underlying deflation, the technical pattern of the market has yet to supply positive evidence of a change in major trend. As the accompanying chart shows, every rally thus far this year has topped out short of the level reached on the preceding rally. This necessarily leaves the burden of technical proof on the bull side, and it also leaves the low of March 31 untested and unproved.

Bear markets usually culminate in decidedly undramatic fashion, settling down into extreme apathy and narrow fluctuation as liquidation is exhausted. Since the scope of New Deal stimulants has been revealed—with but mild immediate effects—and since the business picture provides no basis for speculative enthusiasm, there is no reason to suppose that the final phase of this bear movement will differ materially from past performances. The question to be answered—and it can only be answered by the market itself in coming weeks—is whether we are now entering such a concluding period of inertia and meaningless fluctuation or whether the final resistance base will prove to be somewhat under the March low.

Attempting to guess the answer to this question involves hazards which it would be foolish to take. No current statistics can give one the answer, for generalized stock market statistics can be—and are being—used to prove any case desired by the hopeful or the pessimistic. Thus, it is asserted that pressing liquidation must have been completed because brokers' loans have been deflated to the low figure of $516,000,000, the smallest total in five years. The same theory could have been applied with equal plausibility in the spring of 1932, at which time brokers' loans had been reduced by 93 per cent, as compared with the 1929 peak, and were approximately equal to the present figure—but in following weeks that total was again cut in half, accompanied by further decline of 50 per cent in our composite price index. Under the present rules of the game, as has been plainly demonstrated, less liquidation is required to unsettle the market than ever before.

When all is said and done, the statistics that have most meaning for the investor and the speculator are the figures of earning power. The biggest obstacle confronting this market is the lack of a favorable earnings trend and continuing lack of conviction as to when the earnings trend will turn upward. We can have rallies on news developments subject to favorable psychological interpretation — legislative defeats for the New Deal, Federal spending plans, easy money moves and whatnot—but outweighing all of this is the absence of the tangible support which can be provided only by investment and speculative belief that the beginning of business recovery is in sight.

There is no use blinking the fact that business activity is not showing any general improvement and that evidence of a nearby change for the better can not be found. Indeed, the pertinent question at this writing is whether renewed business decline, of unpredictable scope, is now starting. With notable candor and pessimism, the Secretary of the Treasury publicly states that business conditions recently have been growing "steadily worse." One of the best-known economists opines that 1938 will be the worst depression year since 1932. Speaking individually and at different times, heads of three of the larger steel companies say they see no prospect of improvement before autumn at the earliest. With their feet on the ground, executives of building materials concerns point out that the actual construction figures have yet to confirm the optimistic F H A ballyhoo. As for the key motor industry, which played so vital a part in the 1933-1937 recovery, the unpalatable facts speak for themselves.

It is difficult to conceive of an ecomonic revival without at least a modicum of support from rising production and sale of automobiles. But the spring peak in production and sales has now been passed—earlier than

While the stock market is showing encouraging resistance to pressure, there is some evidence of deterioration in the nearby business picture. We advise a cautious and highly selective policy as regards longer-term commitments.

usual—and it did not show even normal seasonal gain.

Retail demand for automobiles this spring has been about half that of a year ago. Figures on dealer inventories of new and used cars—although fragmentary and relating to the situation as it was at the close of March—are sufficient to indicate that the inventory problem remains serious. This is of major business importance. Quite aside from consumer ability to buy cars, expectation of extensive changes in the new models to be introduced early in November gives the public scant inducement to buy 1938 automobiles during the summer.

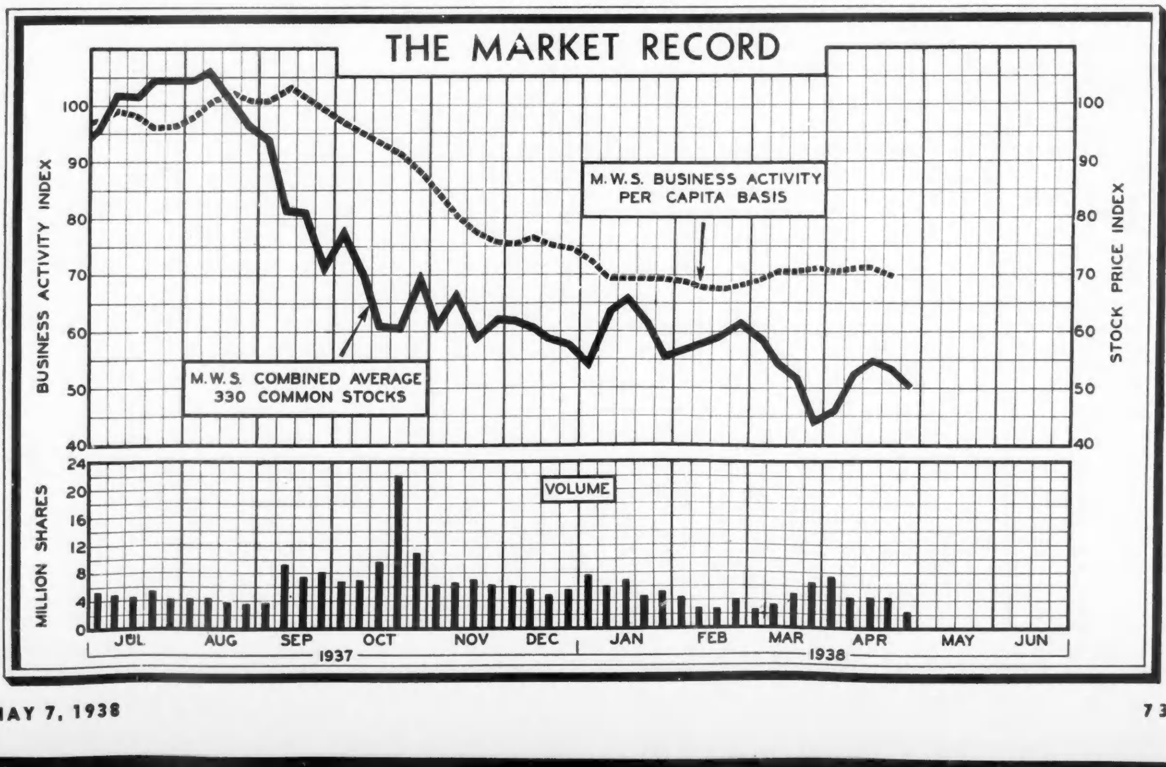
Unless extraordinary measures are taken to move present dealer stocks—almost certainly involving a complete cessation of production for an extended period this summer—there is a very real danger that the industry will approach new model season "stuck" with and "frozen" in excessive stocks of 1938 cars. Reflecting this thought, the industry is moving slowly in its retooling program and is reported to be reconsidering planned changes in the 1939 cars. Reflecting it also, directors of the National Automobile Dealers' Association went on record last week as favoring return to January introduction of new models. The industry has had worse years but never a worse inventory problem.

This problem has been discussed at some length here because it is a key business factor of more than individual significance. The motor industry has been more successful than any other in winning consumer favor by giving the public maximum value for its money. Next to the necessities of life, we have abundant evidence that the automobile has first claim on consumer purchasing power. If consumers are not going to buy automobiles in more than disappointing volume this summer, it would be over-optimistic to assume that they will buy much else that they do not have to buy.

Completing the summary of drab business conditions, it remains to add that commodity prices, both spot and futures, have lost further ground during the past week.

As compared with the business trend, current developments at Washington are not of major stock market significance, and neither are the sporadic outbursts of labor troubles—unusual in a depression—although the latter are a definitely disturbing element in the picture. The President's long awaited "monopoly" message proved to be a political document, apparently aimed at trying to pin the blame for the depression on "Big Business." He did not ask action now, and what the next Congress may do with the issue is much too far ahead to give the market any concern.

On the whole, we must continue for the present to advise a cautious and highly selective policy as regards longer-term commitments.



Happening in Washington

BY E. K. T.

Spending program will be voted—with strings—and put into action as fast as possible, but administration won't be able to pump out the money as fast as promised. While the actual outlays will have little effect on business, more is hoped from the inflationary atmosphere and spending psychology. Idea is to talk the country into renewed hope and activity.

Business opposition to the New Deal, business hesitancy to venture in face of uncertain policies, is now recognized by administration as a factor to be reckoned with. Therefore Roosevelt is trying to court business confidence, allay fears, by public statements, conferences with industrialists, restraint on attacks and slurs by subordinates. He really means it, for time being at least. *Question is: can he carry through in view of his love of battle, dislike to admit reversal of policy, desire to dominate, and pressure from the left?*

F D R vs Press is illuminating side-light on the President's psychology and key to his feelings toward business. He has recently renewed (in private) his deep antagonism to columnists and editors which he has expressed repeatedly in the past; thinks papers have conspiracy to depress business to spite New Deal; believes he has better understanding than editors of what the people think and want.

WASHINGTON SEES—

Spending program attempt to create inflation psychology.

Roosevelt trying to make bid for business confidence.

Tax bill a hollow New Deal victory.

Administration recognizing utility problem.

Anti-trust enforcement on new tack.

Possibility of reorganization bill revival.

New Deal reliance on Supreme Court support.

Tax bill agreement is Phyrric victory for Roosevelt: while principle of undistributed profits tax is retained, actually there is so little of it left that it will not have the effect on business policies for which it was designed, and its re-examination 2 years hence will open up old wounds which might have been forgotten had it been junked now. Treasury probably could have got more revenue by accepting Senate bill. Also Congressmen will long resent President's interference and insistence on face-saving.

Tax conference politics involved deep intrigue. Senate members reasoned that the compromise would be practically as beneficial to business as complete repeal of corporate surtax, but if business does not pick up it can still blame the remnant of Roosevelt's tax policy whereas were it repealed outright and slump continues New Dealers could say business got the tax it wanted but refused to respond.

No trick taxes for reform instead of revenue are apt to get by Congress in next few years. The long-promised scientific revision of revenue laws may actually get under way next year, and Roosevelt is still talking about a federal-state conference to divide up overlapping fields of taxation.

Prohibition of future "tax exempts" as proposed by President will not be acted on this session, partly because of desire for early adjournment, partly dissatisfaction with method he proposes. Although there is general agreement that federal, state and city bonds and salaries should all be taxed equally, many feel that in view of several long-standing court decisions a constitutional amendment is necessary.

The proposal to enact a statute ending tax exemptions in the face of adverse court rulings shows President still relies on getting a liberal Supreme Court majority to reverse precedents and uphold New Deal legislation.

Property taxes, main source of municipal income, might

be raised if city bonds are made taxable and require higher interest rates. *Alternative might be for states to take over city and county functions, which would mean that all states eventually would have sizeable income taxes.*

Wage-hour bill passage remains in doubt, although bill now on House calendar has been amended to remove many objections. Politics is now main consideration. Southern opposition to country-wide uniform wages may induce Northerners to support this bill for fear another attempt next year might win recognition of wage differentials. Republicans from industrial districts may see political gain in supporting this measure now stripped of bureaucracy. But many hurdles remain before final enactment.

R F C utility loans proposal is grimly ironic. At present rate of power consumption utilities don't need loans of this type but need refinancing at current low rates and new equity money which depends on investor confidence. *But move shows that New Deal recognizes the utility problem, and that by scaring utilities out of expansion it has run its own nose into the ground by contributing largely to the recession.*

Anti-trust enforcement, pending new laws, will be vigorous but selective under Thurman Arnold who, despite professional background, is taking realistic and constructive attitude. His policy of pushing typical and key cases as precedents and giving full publicity to Dept. of Justice plans should prove helpful to business in steering a course through maze of anti-trust uncertainties. Any new legislation is doubtful at this session.

Cement purchase fiasco resulting in rejection of all bids shows difficulties of administration in attempting to achieve economic reforms through government purchases. Procurement Div. sought to break up basing-point system and force use of f.o.b. prices, and as result got no cement.

Business census figures to be taken in 1940 will be in form much more useful to manufacturers and distributors under plans launched by Census Bureau which include scheme to publish statistics by metropolitan districts and sub-districts on a uniform basis so that all figures will be comparable and fit into a standard pattern.

Bureaucracy foes drafting food and drug bill went so far in extending court review of Department rulings—reaction to fears aroused by original Tugwell bill—as practically to emasculate the measure and jeopardize its passage, though enactment this session is much desired by all parties to get rid of a 5-year headache.

Gov't reorganization bill is not dead but is lying quietly in House committee where it was recommitted by slim 8-vote margin and administration leaders are toying with idea of bringing it out suddenly with a few minor changes in hopes of catching opposition off guard and winning over by various means the necessary handfull of Representatives to pass it. This should not be difficult if psychological moment arrives and would be tremendous New Deal triumph.

Wide World

New Assistant Attorney General Thurman Arnold who leads the attack on monopolies.

Labor troubles expected to increase during summer, but while strikes may be more numerous observers believe they will not be of as long duration nor as bitter as last year. N L R B adheres to its policy of refusing to condemn sit-down strikes. Passage of amendment to Wagner Act requiring collective bargaining of all government suppliers is not likely to pass; purchasing officers oppose it, having already enough troubles getting bids.

Oil marketing divorcement bill, designed to cripple integrated companies, won't pass, since many retailers and small distributors vigorously oppose it. Majors have kept in the background, refusing to stick their heads up to get shot at.

LaFollette Brothers by their inauguration of a third party put the President in rather an unfortunate position. If he had hopes of heading a third party of liberals himself, he has been robbed of the opportunity. It is also obvious that the Progressive group will draw more heavily from the ranks of New Deal voters than from the Republicans.

Republicans are still split on strategy but show signs of pulling selves together to go after sizeable block of seats in next Congress. Some favor continuing policy of keeping quiet while Democrats fight among selves, while others itch to break loose and attack the New Deal up and down.

Municipal bankruptcy law upheld by Supreme Court is not reversal of Court's (*Please turn to page* 127)

Recovery Without Inflation

Is It Possible in the Present Setting?

BY H. M. TREMAINE

THE longer our Government operates at a deficit, covered by debt expansion, the nearer we approach the threat of a runaway inflation based on distrust of the value of money. In five years the Roosevelt Administration has increased the Federal debt by some $18,000,000,000 in a vain effort to produce a lasting economic recovery. Sunk in another serious depression, it is now giving us a bit more of the same "controlled inflation" dope. Partly by deliberate action and partly by force of circumstance, it is heading for another huge deficit.

Therefore, it is accurate to say that we are much further along the primrose path of inflation than we were five years ago—yet markets which danced merrily upward to the inflation theme song in 1933 are now reacting to the repeat rendition of the same song with little more than a bored yawn.

Ineffective Nostrum

There are several reasons for this contrast. First, any artificial stimulant—whether the trademark be "inflation" or "reflation" or whatnot—must be given in larger and larger doses if it is to be effective. The President has ignored this rule. His new spending-lending-credit moves are milder than the measures adopted in 1933-1934. Second, most people are aware now—as some were not in 1933—that "inflation" is a very broad word, which has been loosely used; and when this vague hobgoblin is dangled before their eyes now they are much less sure than they were in 1933 as to what, if anything, they should do about it. Third, everybody knows that the New Deal's version of "controlled inflation" has guided the country into an *uncontrolled deflation* and that the problem of estimating the *time* when a given set of inflationary measures will "take hold" has proved far from simple.

For the purposes of this article we will arbitrarily and conveniently define "inflation" as any monetary or credit change which causes a rise in prices and in business volume. Leaving aside currency manipulation, which the Administration resorted to in 1933 but which it is averse to in the existing setting, the important and effective inflation that we have had has been an inflation of bank deposits, brought about by financing the chronic Federal deficit through sale of bonds to the banks. It is another shot of this kind of inflation—and a relatively mild shot—with which we are again to be dosed.

On the whole, the new Administration recovery plan may be aptly described as half-hearted and half-baked. It carries no such conviction—either hopeful or frightening—as did the 1933 emergency measures. To this it is necessary, however, to add the qualification that Mr. Roosevelt is unpredictable, that he has power to utilize inflationary devices more powerful than any contemplated at the moment, and that it is at least conceivable that he might resort to more desperate policies in the event political necessity so dictated some time between now and the Congressional elections in November.

Nevertheless, up to the present, the New Deal program is a weak straddle, consisting of one part credit inflation—which will not importantly expand bank investments or business volume for a considerable time to come—and ten parts ballyhoo. The ballyhoo paints an optimistic and unreliable picture of the good things to be expected of the steps taken or contemplated, and likewise probably greatly exaggerates the significance of the "cooperation" which the President now seeks from business men and which some business men are publicly offering to give him. It should be noted that the publicized offer of these business men is not a capitulation. There are terms to be agreed upon—and Mr. Roosevelt's reluctance to make concessions which business men regard as adequate has wrecked previous similar ventures in "cooperation."

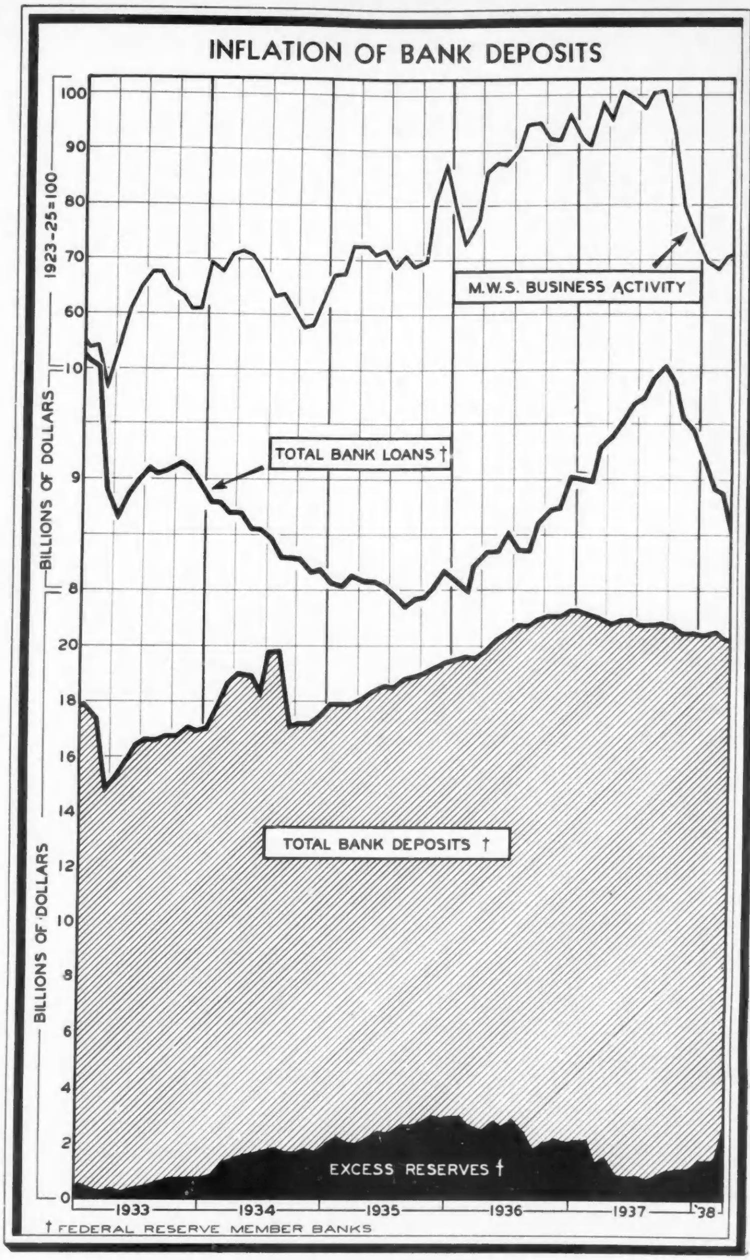
Remedies Will Be Slow

The tangible remedies are being applied with full recognition at Washington that they cannot directly stimulate business activity for some time, probably not before autumn. The ballyhoo is aimed at setting up, meanwhile, a hopeful or inflationary psychology in the minds of business men, investors, speculators, consumers. There are some curious contradictions in this ballyhoo. We are officially warned that the Administration has vast inflation-making powers available—including the power to issue $3,000,000,000 in greenbacks—and that these powers can be used if necessary. This is a threatening gesture, designed to make us "inflation-minded." On the other hand, at the same time, we are officially assured that the Government will get valuable assets for its spending, that its credit is secure and will

remain secure. Obviously, if the Federal credit is secure, there can be no basis for a fear-inflation, since only the breakdown of confidence in Government credit can provoke a real flight from cash.

Yet if a fear-inflation psychology is out of the picture for as far ahead as we can now see, the Administration's only hope would seem to be the alternative of a "confidence-credit-inflation" which will induce people to invest and spend money more freely because they believe it advantageous to do so. Obviously, what Mr. Roosevelt really desires is the latter psychology—but his yearning for it evidently is not sufficiently strong to induce him to make any material political sacrifices in behalf of the objective by reversing some of the *deflationary* policies with which he persistently trumps his own inflation ace. To mention but a few, there is more *deflation* in his utility, labor relations and tax policies than can possibly be counterbalanced by the inflationary forces of his renewed pump priming program and its accompanying measures of potential credit expansion via the route of desterilization of the Treasury's inactive gold fund and reduced member bank reserve requirements.

In only one respect are we promised fundamental relief from the New Deal *deflation* of private investment and private enterprise. This is the very substantial revision of the undistributed earnings and capital gains taxes now apparently certain of early adoption by Congress. The Administration did not formulate this recovery measure. On the contrary, it fought it. Congress shaped it—and in so doing Congress has made a more important and effective contribution to the cause of economic recovery than anything that is to be found in the President's spending-lending-credit program.



The question now facing us is not only: Can we have recovery without inflation? It is also: Can we have recovery this year even *with* inflation, in view of the limited scope of the actual inflation apparently in prospect for the near future?

The answer to the first question is, Yes—if conditions favorable to expansion of private investment and private credit come into being. But such conditions do not now exist. Obstacles of a temporary nature include burdensome inventories, especially in most lines of consumers' durable goods, and maladjustments in our wage-cost-price structure. With respect to both these problems correction has made considerable progress. But there is not enough visible promise in the near term price and profit trends to induce any substantial expansion of inventory investment such as usually plays a leading role in touching off a spiral of recovery.

Of much more fundamental importance, however, are the obstacles that lie in the political realm. There is no need of itemizing here the policies and philosophies of government which during the past five years have had the net effect of seriously reducing, if not largely eliminating, the incentive for private investment. The record since March, 1933, speaks for itself. At the top of the Roosevelt recovery bank credit being utilized by industrial and commercial borrowers was a smaller total than when the recovery started. During this five-year period the total amount of new capital financing, of a type involving expansion of enterprise and creation of employment, equalled but a small fraction of that in any equal period of time in the generation (*Please turn to page 120*)

Revolt Against New Deal Brightens Business Prospects

Breach Widens Between White House and Congress, the President and His Party, and between the New Deal and a Worried Public

BY RAY TUCKER

THE struggle between Rooseveltians and Jeffersonians for possession of the Democratic party has moved swiftly from the stage of trench sniping to stormy combat in the field of national politics. More resolutely even than recent turbulent events portray, the old-fashioned leaders within and without Congress have advanced against New Deal redoubts seemingly impregnable.

Almost every distinguished Democratic chieftain has now broken with Mr. Roosevelt on major policies. Never before in American history has a Chief Executive been so utterly repudiated by the men who should be serving as his front-line figures, or at least concealing their differences from the gaze of the public. To call the roll of those who have defied and denied him is to list almost every graybeard of the party, every faction, every section of the country.

The Vice-President beards him on his anti-business complex, his inflationary program, his work-relief philanthropy, his tolerance toward organized labor's more extreme tactics. The unhappy Carter Glass, the Senate's acknowledged authority on banking and finance, shudders at these newest ventures. Pat Harrison virtually scraps a tax system fundamental to the New Deal philosophy of redistributing wealth and maintaining purchasing power. Tammanyite John O'Connor and Texan Hatton Sumners persuade the House to repel schemes vesting even more dictatorial power in the White House.

Opposition More General

There is a new note in the chorus of complaint. The arguments of these solid, hard-boiled Democrats for a live-and-let-live attitude toward big and little business — toward productive sources of employment — have caught the imagination of the public. The general conclusion seems to be that when such political loyalists rise up against their own party boss on the eve of a Congressional election, and only two years prior to a national showdown, there must be something wrong in the nation's Capital.

The intra-party opposition does not represent simply sporadic protests against piecemeal policies such as Mr. Roosevelt's predecessors have frequently faced. It reflects a conviction that the President heads a wrecking rather than a rescuing squad. Mr. Garner epitomized it when he warned the head of the government that his financial program was damaging both the nation and the party. Despite those denials, which Washington anticipates and discounts on such unfortunate occasions, the Texan *did* beg the President to "give the cattle (business) some grass," and to "stop chivvying them."

Split in the Ranks

The V. P.'s homely allegory, with the subsequent dispute over whether he should have said "chivvying" or "choucing," has crystallized public sentiment against Mr. Roosevelt's harassment of private enterprise more forcibly than a formal manifesto signed by Henry Ford, John D. Rockefeller, Jr., and J. P. Morgan would have done. The latter would have been blasted by Messrs. Ickes and Jackson as "economic royalists," and they might even have been thought prejudiced by the populace. But when a hard-headed Democratic plainsman like Garner denounces the Administration's basic credo, and when he sides openly with such policy destroyers as Harrison, Glass, Byrnes, Wheeler, O'Connor and Sumners, it affects public thinking more deeply than a dozen "fireside chats."

Other eminent carpenters of the original and subsequent New Deals feel and express dissatisfaction. The Cabinet is split down the fairway over the new lending and spending program. Secretary Morgenthau's solemn promise of economy and budget-balancing, delivered with White House inspiration and indorsement, was repudiated almost before Henry returned to his Treasury hideout.

Last summer's too sudden termination of government

subsidies for cities and states was just as abruptly reversed at the persuasion of Spenders Hopkins, Ickes and Eccles, to the chagrin of Messrs. Morgenthau and Jones.

Yet it is a fact susceptible of mathematical proof that the majority of Mr. Roosevelt's official household are horrified over Doctor Eccles' golden transfusion into the banking system of funds which threaten a form of European inflation rather than healthy assistance to private industry.

An equally vital factor in the progressive disintegration of the Roosevelt machine, both economically and politically, is the growing revolt and resentment of organized labor. In Pennsylvania, New York, Illinois, Ohio and Kentucky the C. I. O. and A. F. of L. factions have carried their feuds into the political field. They have also begun to question the efficacy of the President's back-to-work movement, in view of the increasing army of jobless.

Local laborites are threatening to campaign as American Labor Party candidates against sitting Democrats, with the prospect that many political friends of the working man may be ousted from Congress. In short, the anti-Roosevelt sentiment long prevalent among the leaders—John L. Lewis and William Green—is seeping down to the factory districts and political precincts. The individual workers are discontented, preferring a steady job to W P A handouts. The palace revolution has become a plebeian affair.

Indeed, it is quite possible that labor itself may destroy the New Deal by disillusioning the very folk—the masses—who have looked upon it as a holy crusade. In Pennsylvania the opposing forces—the Guffey-Lewis (C. I. O.) crowd and the McCloskey-Laurence (A. F. of L.) faction are hurling the nastiest, stickiest sort of mud in each other's faces. The various politicos who once banqueted together at the New Deal table are swapping accusations of corruption, bribery and financial scandals involving public contracts and W P A coercion. In the Florida primary the same sensational charges have been aired.

Pennsylvania offers an excellent example of what happens when president makers bargain, as Mr. Roosevelt's managers did in 1932 and 1936, for the support of every office-seeker and hungry but unrelated bloc in sight. Ironically, almost every individual involved in the desperate fracas are Republicans who suddenly became New Deal converts under the spell of the President's charm and Jim Farley's organizational ability. The men now engaged in discrediting each other—Messrs. Earle, Wilson, Margiotti, Lewis—drew sustenance from G. O. P. troughs in their salad days. By the same token, the laborites responsible for the prospective smashup once marched in the front rank of torch-light parades exalting Harding, Coolidge, Hoover.

Likewise the Progressives entertain doubts of the success of Roosevelt reforms as measured against results. Some believe that he has accomplished no basic improvements, while others doubt that he ever meant to. Though they differ among themselves (*Please turn to page* 119)

Extent of Hazards in Companies With Foreign Stakes

Part II. Outside the Americas

BY NORMAN TRUMBULL CARRUTHERS

Articles dealing with the stake of American corporations in Mexico and other parts of Latin America have been published in previous issues. Here, we cover briefly part of the American corporate interests which lie outside the Americas.

A glance over the accompanying list will show that a surprisingly large number of our big companies have interests of great importance throughout Europe, Asia and other parts of the world. It may be something of a surprise to isolationists to find so many American companies whose foreign sales are 20 per cent, 30 per cent, or more, of total sales. Obviously such companies cannot be other than highly sensitive to events abroad whether they be for good or ill.

In Asia and Africa, American investments tend to be of the Latin American type. This is to say, they involve the production of raw materials. In Africa it is mining; in Asia the production of petroleum and the growing of rubber. On the other hand, there is in general a striking difference between this type of investment and the interests we have in Europe. In the case of the former there are tremendous physical assets which are not within the jurisdiction of the United States. But in Europe, generally speaking, our interests tend more to small branches doing light manufacturing, to selling agencies. Of course there are notable exceptions such as the large physical assets held by International Telephone and Telegraph in Spain and elsewhere, but in the main our European stake is more nearly a trade stake than a property stake. So far as stockholders of individual companies are concerned, should the untoward happen, the loss of a trade stake probably could be better borne than the loss of a property stake.

The same kind of foreign exchange restrictions which were shown to be so hampering to our interests in Latin America are to be found doing the same thing in Europe and elsewhere. In Europe, however, there is much less uniformity in the degree of control exercised. It varies all the way from complete freedom as in England and France to the most onerous and complete exchange restriction in the world which is imposed by Germany. Naturally, the effective value of American investments

Courtesy National Cash Register Co.
The National Krupp Register Company's factories in Berlin, Germany, represent part of National Cash Register's foreign stakes.

abroad varies very closely with the degree of control over foreign exchange. In its extreme form it means that although profits may be ea-ned in the foreign currency the fact that they cannot be transferred to this country virtually renders the whole undertaking valueless. This is a point to be kept always in mind when appraising a company's foreign interests.

Europe has been on the brink or a major war so many times during the past few years that this undoubtedly is a possibility to which the investor in an American company with large foreign interests has given considerable thought. It does not follow necessarily, however, that a war would automatically wipe out the American investment in Europe. There would be danger, of course, that a certain amount of physical property would be destroyed. There would also be the risk of confiscation, although in this case indemnification would be likely in most instances.

American Investors Have a Direct Stake in the World Outside the Americas in These Leading Companies

Aluminium Ltd Incorporated ten years ago in Canada to take over the foreign business of Aluminum Co. of America. Stock is listed on the New York Curb. Although business appears primarily Canadian, plants are operated in a number of European countries, in India and Japan. The straight export business between Canada and Japan is of importance.

American & Foreign Power. Vital interests lie in Latin America, although company could ill afford to lose its investment in the Shanghai District of China, and in India—particularly the former.

American Metal Co. South African interests include large investments in Rhodesian Selection Trust and Roan Antelope Copper Mines. Market value of these holdings is between $40,000,000 and $50,000,000.

American Radiator & Std. Sanitary. Has a number of European affiliates which operate manufacturing plants. Foreign operations as a whole, including a straight export business, are by no means of minor importance. Last annual report shows cash in Germany and Italy in excess of working capital requirements having been invested in the marketable securities of these countries in the amount of $3,238,000. Reference was made also to a decline of approximately $400,000 in the Reserve for Foreign Exchange Valuation, brought about principally by decline in the French franc.

Armstrong Cork. Total foreign investment as of 12.31.37 amounted to $3,700,000, of which about $2,300,000 was in Spain. The latter is only about 5 per cent of the book value of the parent company's stock.

Briggs Manufacturing. Has large stock and debenture interest in Briggs Motor Bodies, Ltd., whose principal customer is Ford Motor, Ltd. (England).

Bristol-Myers. Ipana toothpaste, Sal Hepatica and Ingram's shaving cream are the company's best known products. Foreign business, which is world wide, is of substantial importance. The Australian subsidiary is among those carrying on manufacturing operations.

Colgate-Palmolive-Peet. In England and Germany are wholly-owned manufacturing and selling subsidiaries: in many another country, however, the company maintains its own selling organization. It is believed that total foreign business is of great importance.

Continental Can. Although it owns about 11 per cent of the ordinary shares of Metal Box, Ltd., important British can maker, this represents a very minor percentage of the parent company's invested capital.

Corn Products Refining. Company has factories in a number of European countries and in Japan. These together with export business account for a very substantial part of operating revenues.

Crown Cork International. Represents some $7,000,000 in total resources and is controlled by Crown Cork & Seal Co., Inc. The subsidiaries of Crown Cork International are numerous and widely scattered throughout the world.

Du Pont de Nemours. While the company has a number of subsidiaries and affiliates operating abroad and does in addition of large export business, foreign interests are very small in relation to those in this country. Probably the greatest interest in things abroad is obtained through du Pont's General Motors investment.

Eastman Kodak. Has plants in England, four in Continental Europe and one in Australia. Dealers handling Kodak Products are to be found in every important city in the world. Foreign operations, including a straight export business from U. S. and countries in which manufacturing operations are carried on, may well contribute as much as a third of the company's total income.

Electric & Musical Industries. An English company with American shares listed on the New York Stock Exchange. Company is a large manufacturer of talking machines and records with interests overlapping the broadcasting and television fields. Total resources are in the neighborhood of $20,000,000 and the scope of the business is world wide.

Firestone Tire & Rubber. Domestic capacity rated at 49,000 tires a day, while plants in Canada, Argentine, England, Switzerland, Spain and South Africa are estimated capable of producing 12,500 tires a day. Company, of course, produces, for the most part in this country, a great many other products in addition to tires. More than 1,000,000 acres of land is leased in Liberia, on part of which rubber is being grown. The straight export business of tires and other products from countries with manufacturing facilities is of fair importance.

Foster-Wheeler. Has a wholly-owned British subsidiary with a plant at Egham, England, which makes the auxiliary steam, oil refinery and other equipment such as the parent company manufactures in this country. The French subsidiary maintains a sales and engineering staff. The business done by the American company directly abroad probably is larger than that done by the foreign subsidiaries.

General Electric. There was formed in 1919 the International General Electric Co. for the purpose of consolidating the parent company's foreign (except Canadian) sales, engineering and other activities. International G. E. has subsidiaries and affiliates operating in almost every important country in the world. Export business, both by the parent American company and manufacturing interests abroad, is of considerable importance.

General Electric, Ltd. Is a British company with total resources of some $85,000,000. Does an extensive export business from

England. American Depository Receipts are actively traded on the New York Curb.

General Motors. Last year General Motors sold abroad 363,508 cars and trucks with wholesale value of $335,679,074. Of these, about 180,000 were designated "American source" vehicles, while the balance represents the output of the German subsidiary, Adam Opel, and the British subsidiary, Vauxhall Motors. In addition, General Motors does an important foreign business in household appliances and the other products which it manufactures. The latest annual report points out that the stated earnings for 1937 did not include $3,193,000 which was realized abroad—mainly in Germany— but which could not be remitted owing to restrictions on foreign exchange.

Gillette Safety Razor. Of the net profit of $4,500,000 reported for last year about two-thirds was derived from sales outside this country. A large factory was opened near London a year or two ago. There are other factories in France and also in Canada and Brazil.

Goodrich, B. F. Operates plants in England, France and Japan. Also, the straight export business of this company is to be considered of some importance.

Goodyear Tire & Rubber. Distribution of the company's products is world wide. Countries in which there are foreign plants include England, Australia and Java. Although the company has rubber land in a number of countries, the Sumatra plantations being the most important, it is a long way short of supplying its own crude rubber needs.

Gulf Oil. Has a number of marketing subsidiaries operating in Europe and elsewhere. Has a 50 per cent interest in a concession covering the State of Kuwait on the Persian Gulf. This, however, is a long way from being the proven proposition as, for example, are the company's South American properties.

Hercules Powder. Does a considerable export business, particularly in naval stores. The company's paper makers' chemicals division has a plant in England, while recently in the same country, in conjunction with other interests, a plant was started for the production of chemical cotton.

Imperial Tobacco (of Gt. Brit. and Ireland) Ltd. A $400,000,000 organization, having American Depository Receipts actively traded on the New York Curb Exchange.

Ingersoll-Rand. Has a plant in Manchester, England, and branch offices in many other foreign countries. Export business is important.

International Business Machines. Sales are made to almost every country in the world and are believed to represent about 20 per cent of the total. There are a number of plants in Continental Europe, although these are mainly engaged in the manufacture of cards and in assembly operations.

International Harvester. Operates twine factories in France, Germany and Sweden. In the fiscal year ended October 31, last, foreign sales of nearly $82,000,000 were about 23 per cent of all sales.

International Nickel of Canada. Although a Canadian organization, it is estimated that American ownership is about 47 per cent. Through Mond Nickel, Ltd., International Nickel's stockholders have interest in extensive property in England, Scotland and Wales.

International Telephone & Telegraph. Operates Spanish Telephone system and also that in Shanghai, investments which have both been threatened recently by wars. Operates telephones in Roumania in addition to auxiliary services. The investment in Spain is thought to be about 20 per cent of the total, that in Roumania about 4 per cent and that in Shanghai less than 1 per cent. International Telephone & Telegraph is an important manufacturer of telephone and other electrical equipment. There are factories throughout Europe and in Asia, too.

Italian Superpower. Owns a substantial interest in virtually all the principal Italian power companies. Investments have a balance sheet valuation of about $29,000,000. While dividends in lire are being credited to the company in Italian banks, exchange restrictions recently have prevented any part of them from being converted into dollars.

Loew's, Inc. While the company has an appreciable interest, both direct and indirect, in physical property abroad, this is far outweighed in importance by foreign receipts on account of film rentals. Foreigners are believed to contribute about a third of all such rentals.

Monsanto Chemical. Monsanto Chemicals, Ltd., important English subsidiary, has its main plant at Ruabon, Wales. At Sunderland another plant is engaged in coal distillation, supplying the Welsh plant with raw material for the many fine and coal tar intermediate chemicals which are produced.

National Cash Register. Countries abroad in which there are plants include Germany and Japan: the Canadian factory largely supplies the British Empire. Last year sales abroad accounted for no less than 46 per cent of the total.

Newmont Mining. The company's interest in various South African mines is of major importance.

Otis Elevator. Operates extensively abroad and has subsidiaries or affiliates in England, France, Germany, Italy, Belgium, Australia and New Zealand.

Paramount Pictures. While the physical property abroad such as the studio in London, is not of great moment, the complete loss of the export market would be a blow of considerable severity.

Parke, Davis. Laboratories and branch offices are widely scattered throughout the world. The company derives about a third of its sales volume from abroad.

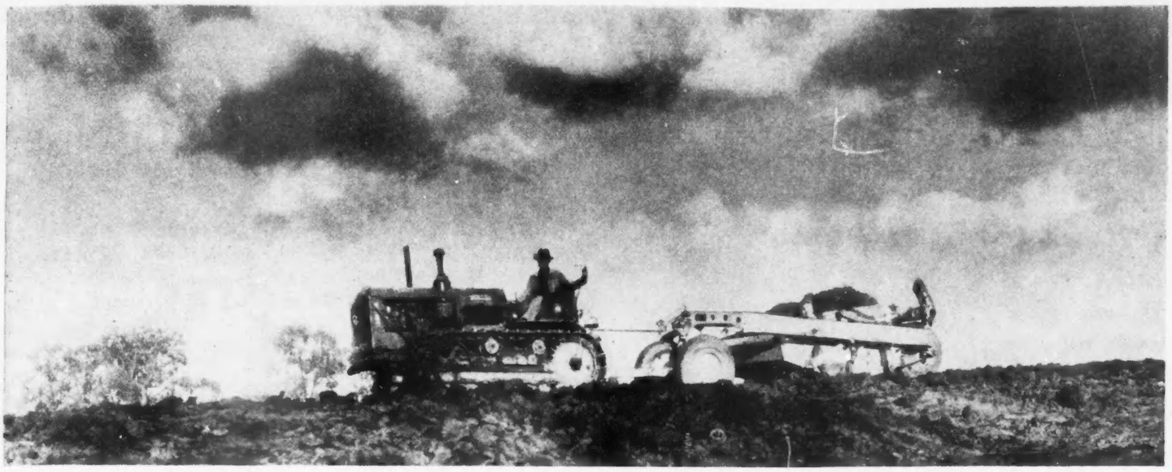
Procter & Gamble. A comparatively recent acquisition was Thomas Hedley & Co., Ltd., which placed Procter & Gamble actively in both the English domestic and export markets.

Quaker Oats. Among the foreign countries in which the company has plants are England, France, Sweden, Denmark, Holland and Germany. Selling branches are maintained in other countries.

Remington-Rand. In addition to Canada, there are manufacturing plants in England, Germany and India. The company also does an extensive export business. It is believed under normal conditions that foreign sales contribute about a third of the total.

Roan Antelope. Is a large low-cost Rhodesian copper producer. Total resources are about $40,000,000. The American Shares are listed on the New York Stock Exchange.

Royal Dutch. Is one of the most important producers and marketers of petroleum products in *(Please turn to page 128)*



Courtesy International Harvester Co.

Promise of Bountiful Crops Helps Farm Equipment Companies

BY C. HAMILTON OWEN

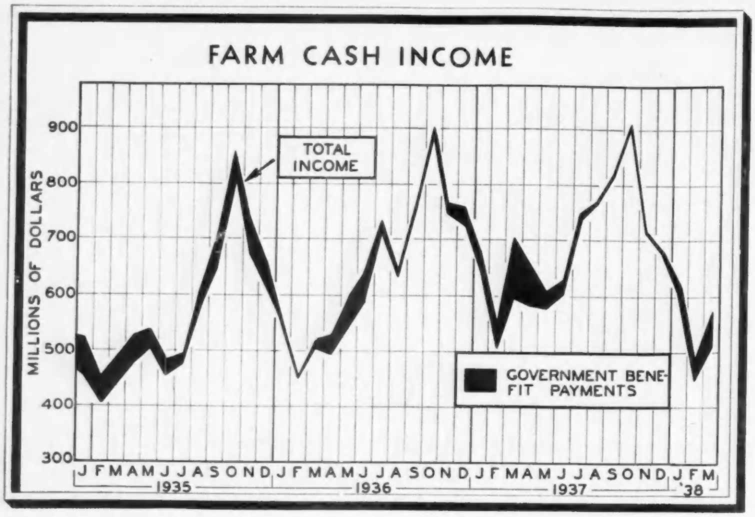
In appraising the outlook for a particular industry, what is actually appraised is the willingness and ability of the industry's customers to produce effective buying power. Thus what the railroads are to the railway equipment industry, the utilities to the electrical equipment industry, and business and industry generally to manufacturers of office equipment, the farmers are to the farm equipment industry. The leading manufacturers of farming machinery are vitally concerned in the farmer's well being and, in a large measure, the farmer's problems are also their problems.

In fact, it is possible to go even further and say that the interests of all manufacturing industry and the farmers are so inextricably bound together that prosperity in one group and depression in the other could be nothing more than a temporary paradox. Such being the case, one might logically conclude that in the current setting of depressed industry, the farmer inevitably will suffer a loss of buying power, i.e., ability to purchase new supplies and equipment. The fact that prices of leading farm commodities are currently substantially under the level prevailing a year ago would seem to support such a conclusion. Closer examination, however, discloses several mitigating circumstances in the farmer's 1938 prospects.

Present indications are that major crops will be as large if not larger than last year, offsetting to some extent the loss of income through lower prices. The bountiful A A A stands ready to lend ample financial assistance to "cooperating" farmers. Larger export buying is a possibility. Even conceding lower income to the farmer this year, the decline is likely to be less than in the case of urban and industrial workers. All of these factors are pertinent to the outlook for the farm equipment industry and therefore justify fuller consideration.

Of the principal crops winter wheat holds the limelight at this time. Based on growing conditions as of April 1, the Department of Agriculture estimates that the winter wheat crop will yield 725,707,000 bushels. This would be the largest crop since 1931, and the third largest on record, exceeding last year's harvest by 30,000,000 bushels and nearly double the crop in the drought year 1933. A normal spring wheat crop would run around 200,000,000 bushels which together with the 200,000,000 bushel carryover indicates a total wheat supply this year in excess of a billion bushels.

There is, of course, the contingency that growing conditions, which were unusually favorable up to the first of April, may suffer from deteriorating weather. In fact, since the Government crop estimate, unseasonal cold weather resulted in frost damage. It appears certain, however, that unless the weather suffers a severe and prolonged turn for the worse, the harvest yield will be exceptionally bountiful, with a large exportable surplus. Normal domestic consumption averages around 650,000,000 bushels and exports average 50,000,000 bushels.



Based on the latest estimate, therefore, an indicated surplus of 225,000,000 bushels will be realized from the 1938 crop alone. The carryover would raise this figure to over 400,000,000 bushels.

Aside from the possibility of adverse weather conditions, this situation and its bearish implications on wheat prices, might be relieved by a larger export demand. It is, however, far too early to make any forecast as to crop yields in principal foreign countries, and reports of smaller Australian, Italian and Rumanian wheat crops must await more definite confirmation.

Lacking a larger-than-normal export demand, the A A A may be compelled to make crop loans, should the surplus depress prices by June 15 to less than 52 per cent of the "parity" price. The parity price is the price at which wheat would have the same purchasing power in terms of other commodities as in 1909-14. This means that wheat would have to sell below 60 cents a bushel, based on the March parity price of 115.8 before crop loans become mandatory. Loans would be made at the rate of 60 cents a bushel, or better. The Agricultural Adjustment Act of 1938 provides for the establishment of marketing quotas and parity payments on wheat but these provisions cannot be invoked unless Congress appropriates funds, to be raised presumably through the means of a processing tax on wheat. It appears doubtful at this time that the necessary legislation will be enacted at the present session, leaving crop loans the only method of "relief" to the wheat farmer. These loans are not likely to aggregate less than $120,000,000 and may run considerably higher. The effect of the loan program will be to place a floor under wheat prices.

Loans on corn will have a similar effect, as indeed they already have. Last year when corn prices dropped from about $1 to 50 cents a bushel, loans at the rate of 44 to 50 cents a bushel were made available. These loans had the effect of holding corn on the farms and relieving pressure on the market. Prices have also been given timely support by large export sales. Since last October corn exports have exceeded 43,000,000 bushels and were larger than any seasonal total in fifteen years. The Argentine crop, now being harvested is small, and will be largely off the market by the time our 1938 crop becomes available, and indications are that foreign demand may be well sustained into 1939. According to the Department of Agriculture, 94,595,000 acres will be planted to corn this spring, indicating a potential yield, with normal weather conditions, of 2,360,000,000 bushels. Acreage allotments in 12 corn-growing states have been set at 40,491,279 acres, calculated to yield a crop 110 per cent of domestic consumption and exports. If this figure appears high, it should be borne in mind that livestock on farms is considerably less than the ten-year average and is likely to be materially enlarged this year. Apparently this prospect was taken into consideration in setting corn acreage allotments. Should the current crop and carryover exceed 2,800,000,000 bushels, farmers would be asked to vote on the imposition of marketing quotas.

As to cotton, none but a confirmed optimist would be likely to predict any appreciable recovery in cotton prices. War or a strong inflationary impulse might lift cotton prices, but so far as the statistical position of the commodity is concerned, the price outlook is a dubious one.

According to the latest report of the Census Bureau the total cotton crop for the season ending July 31, next, will be 18,934,153 bales. This is the *largest* crop on record and almost 1,000,000 bales larger than the previous record-breaking yield in 1926. Total supplies, with the addition of the current carry-over, will approximate 24,500,000 bales this season. Consumption has been estimated at 12,000,000 bales, or less than half of available supplies. This means that 12,500,000 bales will be carried over into the 1938-39 season, or more than double the carryover this season.

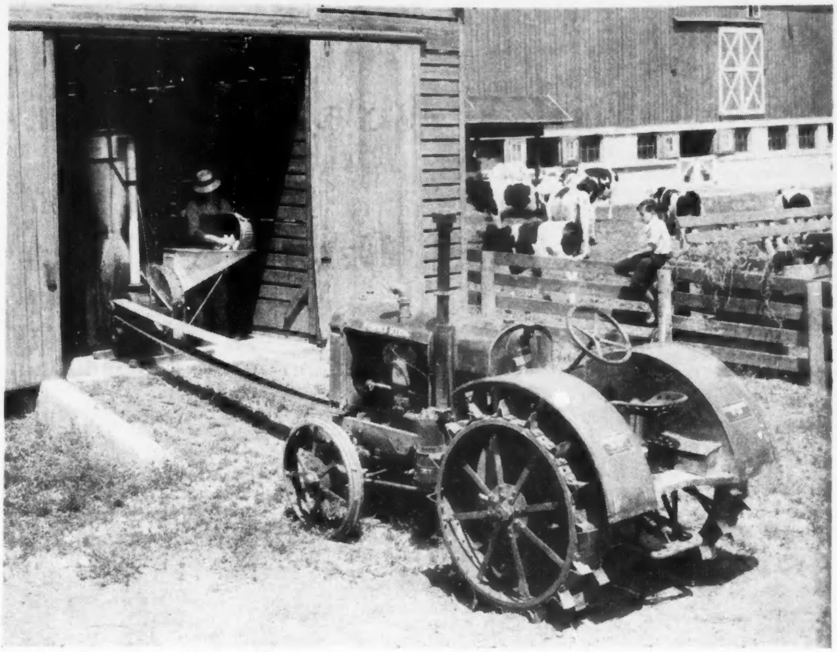
Cotton farmers have voted in favor of imposing quotas and planted acreage in the current growing season will be cut from 34,300,000 to 27,000,000 acres. The

Significant Points in Prices
of Three Leading Farm Commodities

	1928-29		1932-33		1936-37		1937-38	
	High	Low	High	Low	High	Low	High	Low
Wheat*								
$ per bu	1.46¼	.96	1.17¼	.43⅜	1.30¾	.96⅞	.93⅛	.80⅞
Corn*								
$ per bu	1.05¼	.79⅜	.67	.25	1.29⅞	.85	.63	.59
Cotton*								
c per pound	20.95	17.12	11.78	5.75	14.59	11.41	9.40	8.37

* July contracts.

potential yield on the latter basis is placed at 11,000,000 bales but intensive planting may bring this figure up to 13,000,000. Judging from the heavy sale of fertilizers in the South, this is precisely what cotton planters are planning to do. If such proves to be the case, cotton supplies for the 1938-39 season will be even larger, by about a million bales. Even this prospect presupposes that consumption will hold at 12,000,000 bales, a somewhat unlikely presumption in the face of reduced consumer demand and the active competition of foreign growers in markets where American cotton would normally be preferred.


Courtesy International Harvester Co.

The cotton loan has supplied prices with a stabilizing influence, but the supply-demand situation is, of course, not relieved and the Government holds about 6,000,000 bales of cotton impounded against loans. It is, therefore, rather obvious that in one way or another the cotton farmer's income will have to be made up substantially of Government bounty—loans, soil conservation payments, parity payments and what have you.

From the preceding summary of the three principal crops, it is readily apparent that the farmer stands to suffer a loss of income in the 1938-39 season. Some part of the depletion, at least, will be made up by Government assistance, or perhaps it might be better to say that the decline will be less, than might otherwise be the case. At best, of course, any prediction of farm income at this advanced date, must be amply safeguarded by qualifications and reservations. The possibility that several factors might intervene to alter materially the outlook must be recognized. War, weather, failure of foreign crops, improved industrial prospects and inflation psychology—any of these are within the realm of possibility and could conceivably become an effective and bullish force. There is also the intangible factor of farmer psychology. An average farmer with large crops in his field is much more likely to be in a mood to buy a new tractor or truck, even though farm prices are lower, than the farmer whose crop has been destroyed by drought.

In reducing the crop outlook at this time to terms of actual dollars and cents, one cannot do better than accept the estimates of the Bureau of Agricultural Economics. According to that bureau farm income from marketings in the first quarter of this year was approximately $1,571,000,000, compared with $1,739,000,000 in the first quarter a year ago. In the current period income from all farm commodities except dairy products was lower. Normally farm income from marketings declines from 5 to 10 per cent below the first quarter, which would indicate total income of about $3,000,000,000 for the first six months, to which will be added Government payments of at least $500,000,000. If total income from all sources amounts to $3,550,000,000, it would compare with total income of $3,850,000,000 in the first six months last year, or a decline of less than 8 per cent. Some $130,000,000 is due to cotton farmers on last year's operations and it is possible that a good portion of this money will be distributed before July 1.

Thus far, however, the farmer has suffered a greater decline in the prices which he receives for his products, than the prices of the things which he buys have declined. At the end of March farm prices were 4% under the 1910-14 average, while prices paid by the farmer were 26% higher than the pre-war level. A year ago, the two price levels were nearly in balance. The

(Continued on page 124)

Leading Farm Equipment Companies

Company	Earned per Share 1937	Earned per Share 1936	Divs. Paid 1937	1937 Price Range High	1937 Price Range Low	1938 Price Range High	1938 Price Range Low	Recent Price
Allis-Chalmers	4.42	2.27	3.50	83½	34	51¾	34¼	42
J. I. Case	13.98Oc	12.36	6.00	191¾	80	97½	62½	79
Deere	4.25a	3.14a	2.00	27	19½	25¼	17⅜	20
International Harvester	6.31a	5.77a	3.50	120	53½	70	50¼	60
Minneapolis-Moline	1.26a	0.14	None	16⅛	4⅜	7¾	4	6
Oliver Farm Equipment	6.43	4.24	None	73	24	32⅞	20⅛	25

Oc—10 months to Oct. 31. a—Fiscal year ended Oct. 31.

First Quarter Earnings and Second Quarter Prospects

Marked Improvement in the Second Quarter Not Expected, Although There Is Hope for the Fall

BY J. C. CLIFFORD

ENOUGH reports for the first quarter of the present year are now at hand to show in a plain dollars and cents manner the disastrously low levels to which business has fallen. Naturally, the picture is not completely devoid of bright spots, but these are few and far between. The general impression created is the worse because the comparison is being made with a period which represented quite a high level of corporate prosperity. This adverse comparison will apply also to the present quarter, but after this the business activity of last year will begin to lose its potentency to accentuate a poor earnings statement.

Contracting Volume

Primarily, loss of volume has been responsible for the decline in corporate profits. This, however, quickly brings other troubles. Prices begin to go down as corporations compete among themselves for the contracted available business. While there are some companies that are helped by lower prices, for the majority it means narrower, rather than wider, profit margins and a sickening sensation when it becomes necessary to revalue high-priced inventory.

The very rapidity with which the depression materialized has also contributed to the poor showing. Management just has not had the time to make adjustments in the interest of economy. Moreover, during the past several years there has been a pronounced tendency for overhead costs to rise and to attain a greater rigidity. One may cite in this connection higher taxes, particularly taxes which are not based upon dollar volume or upon profits. The increase in real estate taxes is possibly the greatest offender in this respect, but taxes "per unit"—whether business unit, or unit of production—also make for cost rigidity. The levy per store on chain stores is an example of unit taxation: so are the impositions on cigarettes which are imposed per pack.

Nor must it be forgotten that wages in general today are less flexible than they have ever been. The prime example of this is to be found in the case of the railroads where, despite the fact that the industry is flat on its back and is rapidly approaching the point where Government operation will be the only solution, wage rates are the highest in history.

Results Vary Greatly

In looking over the accompanying table—which, incidentally, shows not only how actual earnings for the first quarter of the present year compare with the showing made in the first three months of 1937, but also how, in our opinion, the present quarter will compare with the first—it will be noted that there is a sharp difference in the reports made by companies in the field of consumers' goods and those in the field of capital goods. This, of course, might have been expected, but even so it is worth noting again that investors almost invariably fare better during depression in companies whose business caters to everyday consumption.

Consumers' Goods Companies Do Best

Among the companies which actually did better during the first quarter of this year than in the first quarter of 1937 are the two big refiners of corn—Corn Products Refining and Penick & Ford. The circumstances here, however, are rather unusual, for the high price of corn last year made for earnings that were exceptionally poor, relative to those being made by industry in general. The two companies are expected to continue doing reasonably well.

Other results that are fairly good are to be found among the food group. The biscuit companies, for example, about held their own; National Biscuit's earnings in the first three months of 1938 were a few cents a share better than in the same period of last year, while United Biscuit's were a few cents lower. The adverse

comparison in the case of Loose-Wiles is mainly because the first quarter of 1937 was by far the best. In the case of the biscuit and baking companies, lower prices for such raw materials as flour and sugar are helping to offset the effects of decreased volume, especially in the luxury lines, and competition which has grown exceptionally keen in recent years.

Package foods as represented by General Foods and Standard Brands may also be said to be holding their own, for the decline in earnings was a modest one in both cases. The chewing gums—usually placed with the foods for want of something better—have long demonstrated a capacity to make money in good times and bad. American Chicle's earnings in the first quarter were slightly higher, while Wrigley and Beech-Nut Packing reported moderate declines.

Steels Make Poor Showing

If foods and companies allied to food made the best showing, steels certainly made the worst. In most cases, substantial earnings on the common in the first quarter of last year turned into a loss for the first quarter of this. Such was the result with American Rolling Mill, Jones & Laughlin, Republic Steel, United States Steel and Youngstown Sheet & Tube. Bethlehem Steel earned a few cents a share on its preferreds. Inland Steel and National Steel were the only steel companies in the accompanying list which made money on the common in the first quarter and even here earnings were down very sharply.

The effect of the lack of earning power in the steel industry is to be seen in the showing made by a number of other companies. The earnings of the two refractory companies for instance, Harbison Walker and General Refractories, declined sharply. On the other hand, if it may be said that the lack of earnings in the steel industry reacted adversely on the refractory companies it is true also that the showing made by the automobile industry is largely responsible for the poor results in steel. As this is written, General Motors is the only important automobile company to have reported for the first quarter and its earnings of 14 cents a share of common compared with 99 cents a year ago. From present indications it does not appear that very much can be expected of the automobile industry for some time to come.

Quarterly Earnings and Prospects

Company	Earned per share of common First quarter 1938	Earned per share of common First quarter 1937	How the second quarter '38 is likely to compare with first quarter '38
Air Reduction	$0.31	$0.77	Little change
American Brake Shoe & Foundry	0.22	1.06	No better
American Chicle	1.84	1.79	About the same
American Cyanamid	0.03	0.54	Little change
American Rolling Mill	def	0.80	Continued loss
American Tel. & Tel. (parent only)	2.07	2.33	Slightly poorer
Atlas Powder	0.52	1.10	Little change
Atlantic Refining	0.71	0.69	Perhaps as good
Barnsdall Oil	0.41	0.26	Probably as good
Beech-Nut Packing	1.20	1.28	Little change
Bethlehem Steel	Nil	2.01	Nothing on common
Bohn Aluminum	def	2.81	Continued loss
Brooklyn Union Gas	0.30	0.64	Hardly as good
Climax Molybdenum	0.79	0.66	Somewhat poorer
Commercial Credit	1.48	1.72	Little change
Commercial Solvents	def	0.19	Continued loss
Consolidated Gas of Baltimore	1.18	1.35	Little change
Consolidated Edison N. Y.	1.10	1.03	Seasonally lower
Corn Products Refining	0.98	0.70	Just as good
Cutler Hammer	def	1.36	Continued loss
du Pont de Nemours	0.65	1.34	Somewhat poorer
Electric Bond & Share	0.01	0.06	No better
Electrolux	0.54	0.62	Better
Freeport Sulphur	0.52	0.66	Slightly poorer
General Electric	0.25	0.40	Poorer
General Foods	0.64	0.78	As good
General Motors	0.14	0.99	No Better
General Refractories	0.22	1.54	Poorer
Gillette Safety Razor	0.19	0.44	Little change
Harbison Walker Refractories	0.07	0.77	Poorer
Hercules Powder	0.40	0.76	No better
Howe Sound	1.04	3.97	Poorer
Industrial Rayon	def	0.63	Better
Inland Steel	0.58	3.34	Possibly as good
International Business Machines	2.55	2.40	Quite as good
Johns-Manville	def	1.05	Slightly better
Jones & Laughlin	def	1.65	Continued loss
Link Belt	0.26	1.01	No better
Lone Star Cement	0.76	0.76	Perhaps as good
Lone Star Gas	0.38	0.55	Slightly poorer
Loose-Wiles Biscuit	0.17	0.45	Better
Martin, Gle-n L	0.72	0.40	As good or better
Mathieson Alkali	0.16	0.52	Possibly as good
Midland Steel Products	nil	1.44	No better
Minneapolis-Honneywell Reg	def	0.60	Better
Monsanto Chemical	0.52	1.20	Little change
Motor Products	0.09	1.80	No better
National Acme	0.38	0.58	Poorer
National Biscuit	0.35	0.33	Better
National Cash Register	0.37	0.50	Somewhat poorer
National Steel	0.50	2.63	Unlikely to be better
Norfolk & Western	1.22	5.67	Possibly as good
Otis Elevator	0.35	0.60	Perhaps better
Paraffine Cos	nil	1.09	Slightly better
Paramount Pictures	0.22	1.00	Better
Penick & Ford	1.00	0.24	Quite as good

Quarterly Earnings and Prospects *(Continued)*

Company	Earned per share of common First quarter 1938	Earned per share of common First quarter 1937	How the second quarter '38 is likely to compare with first quarter '38
Phillips Petroleum	0.52	1.26	Slightly better
Procter & Gamble	0.40	1.26	Better
Republic Steel	def	1.04	Continued loss
Ruberoid	def	1.00	Slightly better
Shell Union Oil	0.18	0.24	Better
Southern California Edison	0.35	0.47	Little change
Square D	0.19	0.62	No better
Standard Brands	0.17	0.22	Better
Texas Gulf Sulphur	0.48	0.54	Hardly as good
Tide Water Associated	0.42	0.39	Quite as good
Underwood-Elliott-Fisher	0.76	1.92	Somewhat poorer
Union Carbide & Carbon	0.47	1.10	Hardly as good
Union Oil of California	0.49	0.47	Little change
United Aircraft	0.42	0.27	Better
United Biscuit of America	0.47	0.50	Better
U. S. Gypsum	0.46	1.06	Slightly better
U. S. Steel	def	2.55	Continued loss
Westinghouse Electric	0.75	2.00	Poorer
Wheeling Steel	def	1.89	Continued loss
Wrigley, Wm. Jr	0.73	0.90	Little change
Yale & Towne	0.01	0.80	Some improvement
Young, L. S., Spring & Wire	def	1.18	Hardly better
Youngstown Sheet & Tube	def	3.05	Continued loss

Machine and Equipments Vary

While earnings were lower for most manufacturers of machinery there was considerable variation in the showing made by individual companies. Deficits were common in the case of those closely connected with the automobile industry—Bohn Aluminum and Midland Steel Products, for example. Motor Products and National Acme were among those closely allied to the automobile industry which managed to stay out of the "red" in the first quarter, although the former with earnings equal to 9 cents a share of common, compared with $1.80 last year, had little margin to spare.

Manufacturers of machinery not importantly dependent on automobiles did better than other machine makers, although earnings for the most part were much lower. General Electric's showing of 25 cents a share for the first quarter of this year, compared with 40 cents a share for the corresponding previous period: Westinghouse Electric earned only 75 cents a share in the first three months of 1938, against $2 a share last year. Square D earned 19 cents a share compared with 62 cents a year ago: Cutler-Hammer, however, its nearest competitor, operated at a loss in the first three months of 1938.

Aviation Does Well

What reports have been received from makers of aircraft and equipment confirm the favorable results that had been anticipated for this group. Glenn Martin's earnings of 72 cents a share were almost double the per-share showing of 40 cents a year ago, while United Aircraft earned the equivalent of 42 cents a share in the first quarter of 1938, against 27 cents a share in the corresponding previous period. Unfilled orders for aircraft are still large and there is every indication that these companies will continue to do a large volume of business. In the event that the British-French proposal to buy planes in this country gets beyond the "exploratory" stage the volume of business booked might be almost sensational. While we would be disinclined to put *too* much faith in the possibility of foreign orders, the bright prospect ahead of the aircraft industry is perhaps more clearly defined than in the case of any other.

Most of the chemicals made money in the first quarter, but an excellent idea of the extent and scope of the depression is to be gained by comparing what they made in the first three months of last year with what they made in the first three months of this. Du Pont's earnings were down from $1.34 a share to 65 cents, Union Carbide's from $1.10 to 47 cents, Monsanto Chemical's from $1.20 to 52 cents. In the case of some of the smaller companies the declines were even sharper. American Cyanamid, which earned the equivalent of 54 cents a share in the first three months of 1937 earned only 3 cents a share in the first three months of 1938. Mathieson Alkali's profits went from 52 cents to 16 cents, while Commercial Solvents was actually in the "red" for the first quarter of this year. While the chemicals are closely geared to general business and cannot be expected to go ahead independently of industry as a whole, they are a group that promises full participation in the turn when it does come.

With the exception of International Business Machines which reported earnings for the first quarter equivalent to $2.55 a share of common, compared with $2.40 a year ago, the earnings of the office equipment group were lower. International Business Machines has an advantage over the rest of the industry during a time of depression because so much of its product is on a rental basis. Besides, this company has been benefited by certain special developments—the keeping of social security records, for example.

Looking at the first quarter's results as a whole, one may be inclined to take the attitude that business profits could hardly sink materially lower. While we would be willing to accept this thesis with certain reservations, we would not like to take the further step and reason from this that necessarily a sharp upturn cannot be far away. Business profits are certain to be modest in the second quarter and are likely to be so in the third: after this there is at least hope for betterment.

Stocks Selling Below Net Quick Assets

BY GEORGE W. MATHES

AT certain stages in a bear market it becomes possible to pick out numerous issues which are discounting an unpromising future so thoroughly that they are selling near or below their net quick asset values. A number of representative cases of this sort are tabulated below. All obligations prior to the common stock have been deducted from net working capital, and the remainder has been divided by the number of shares outstanding.

The resulting net quick asset value per share represents the stockholders' theoretical equity in case of the company's dissolution, making no allowance for whatever might be realized on plant, equipment, and other fixed assets.

Unfortunately, such current assets as inventories cannot always be accepted at values as of the balance sheet date, and even the cash items will be vulnerable to a series of operating deficits. These companies have a definite advantage in their strong current positions, however, and any change in the outlook for their individual industries should find them situated to take full advantage of it.

	Recent Price	Net Quick Assets per Share	Book Value per Share	Earnings in 1937 (or fiscal year)	COMMENT
Alpha Portland Cement	13	$9.36	$32.08	$.37	Earnings 12 months to March 21c vs. $1.58. Nevertheless interesting as beneficiary of construction pickup.
American Seating	11	9.69	22.20	2.88	Cash barely exceeds notes payable. Receivables bulk large in current assets.
Barber Asphalt	17	15.50	32.66	1.91	Cash alone amounts to approximately $7.70 per share. An interesting speculation, although first quarter resulted in a loss.
Bigelow-Sanford Carpet	22	30.23	65.85	1.29	Year-end inventory adjustment cut net income in one-quarter. Inventories still higher than net working capital.
J. I. Case	79	90.50	150.35	13.98	Cash, receivables, and inventories have all increased during year. Earnings would respond quickly to farm purchasing.
Chicago Mail Order	11½	11.37	14.15	1.50	Cash a third higher than a year ago, inventories lower, improving position.
Chickasha Cotton Oil	14	16.62	30.67	.10d	Highly liquid position of last June 30th probably still maintained. Good cotton crop helpful.
Columbia Pictures	13	20.00	26.07	1.00a	Inventories of completed pictures comprised two-thirds of current assets at year-end.
Endicott-Johnson	35½	39.57	66.54	2.85	Inventories large but statistical position of hides has improved.
Hudson Motor	7	6.53	19.19	.42	Slump in motor sales affects smaller producers seriously; near-term profits improbable.
Kroger Grocery	14½	14.08	26.91	1.62	Strong current position is offset by adverse developments in chain store legislation.
Lee Rubber & Tire	13	19.05	33.82	2.32	Inventories grew during fiscal year, but tire sales holding up relatively well and earning power has been demonstrated.
Lima Locomotive	28	32.57	47.56	4.38	Cash alone $15.60 per share. Attractive speculation on railroad equipment buying.
McKesson & Robbins	6¾	5.55	12.36	1.60	Strong position and diversified business should lend stability to this issue.
Mack Trucks	21	39.30	64.35	2.15	Large inventories and instalments receivable. Business currently dormant.
Manhattan Shirt	11	19.75	24.35	1.32	Company borrowed to finance larger inventories and accounts receivable.
Mohawk Carpet	13½	17.34	30.61	2.27	Net working capital $9,468,000, inventories $11,305,000, at year-end.
Nash Kelvinator	8½	7.47	11.73	.39	Cash and Government bonds strengthen position, but earning power has been considerably affected by current slump.
Niles Bement Pond	32	29.65	45.91	7.46	Foreign business has held up well; unfilled orders not far below a year ago; earnings lower but issue is attractive speculation.
Pacific Mills	13½	28.51	85.91	5.24d	Inventory adjustments turned 1937 result from a small profit into a large loss.
Swift & Co.	17¼	19.47	43.09	1.56	Large inventories a handicap under present conditions.
White Motor	8¾	19.78	33.01	.11	Cash is lower, inventories and notes payable higher than a year ago.
Yale & Towne	29	20.19	38.62	2.72	Earned 1c in first quarter vs. 80c a year ago, but well-situated to gain from increased building activity.

a—Six months earnings. d—Deficit.

Pictures in this article courtesy Douglas Aircraft Co.

Side view of scale model of the new Douglas DC-4.

Larger Earnings Indicated

Douglas Aircraft Combines Pioneering in Its Field With Conservatism in Its Finances

BY CYRUS G. V. WHITE

IT would be against all precedent to discuss the outlook for an aviation company without stressing the adjective "risky." The element of chance in the business, so apparent to everyone, fits in well with the average man's lingering mistrust of the air and makes it easy to accept such a neat one-word summation. As frequently happens, though, the obvious conclusion is misleading.

Consider the record of the Douglas Aircraft Co. Its predecessor was formed in 1921 with $15,000 of borrowed money. Some seven million dollars were eventually added to its capital through the sale of stock, while dividends totaling $1,800,000 were paid out. By the end of the last fiscal year this shoe-string had grown into a hawser valued at $10,737,000 on a very conservative set of books. The risky venture has meanwhile never reported a loss in its seventeen years of perilous existence.

The Growth of Douglas Transport Planes

	DC-2	DC-3	DC-4
"Model" year	1933	1936	1938
Passenger capacity	14	21	42
Wing span	85 ft.	95 ft.	138 ft.
Gross weight	18,500 lbs.	24,000 lbs.	65,000 lbs.
Number of motors	2	2	4
Horsepower	1,500	1,700	5,600
Maximum speed	210 m.p.h.	212 m.p.h.	240 m.p.h.
Flight range	1,060 miles	1,880 miles	2,100 miles

Lest this way of putting the case be taken as approval of the stock for gilt-edged investment purposes, some qualifications should be made immediately. The excellent record has been due to a combination of technical skill, favoring circumstances, and occasional bits of nearly pure luck. One of the most important favoring circumstances, of course, was that the Government supported the industry while it was struggling to develop. During the first ten years the Douglas organization was making planes the Government bought about 98 per cent of them. As for the luck—some of it has obviously been present in any company which has so rapidly run its annual sales from zero to twenty million dollars in a highly competitive though growing field; which turned out a strikingly well-engineered transport plane in the DC-3, then found that converted into a bomber the job was if anything more successful; which time and again in the early days threw its resources into competitions in military models where only first place would mean survival.

Without the technical skill and the drive to keep at the head of the industry, though, all the good fortune in the world would not have helped. "I am a great believer in luck," says a character in "Fifty Years a Country Doctor." "The harder I work the more luck I seem to have." So it has been with Douglas and so, provided the engineering staff maintain their grip, it should continue to be.

It follows that the principal asset of this company is not to be found among the $6,386,000 of net working capital, nor in the million square feet of floor space in its plants at Santa Monica and El Segundo, California.

If necessary to put a finger on it in the balance sheet, the only spot would be the figure labeled "Goodwill .... $1.00." Many years, many millions, and innumerable minor and major developments in flying are compressed into that lone dollar. It actually amounts to a frank invitation to each observer to form his own opinion of the worth of Douglas engineering prestige and ability.

The newest product of the Douglas organization has reached the testing stage. Known as the DC-4, its dimensions given in the accompanying table are rather difficult to visualize. If this ship were to be turned up on one wing, the tip of the other would reach to around the twelfth story of a metropolitan office building. Its cabin, wider than a Pullman car and equally long, will carry 42 passengers besides a crew of five, or as a sleeper will accommodate 30 in addition to the crew. Supercharged for flight in the stratosphere where speeds are high and fuel costs low, the DC-4 is expected to be the ultimate, temporarily at least, in luxury transports.

The holder of one hundred shares of Douglas stock will have more than a detached interest in the flights which will test this plane and in its reception throughout the world, for it probably represents close to $290 of his money. Up to the end of last November, the fiscal year, the development of the DC-4 had cost the company $1,179,000 and subsequent expenses may very likely have brought the total cost to a figure 50 per cent higher. Although considerably larger than any annual earnings yet reported, however, the cost of the DC-4 has been handled so conservatively that outright failure would not be disastrous for this year's earnings. Over $683,000 was charged against income for the 1937 year and close to $200,000 more is assured by contracts with airlines. The risk has thus been absorbed to a certain extent in advance, and success will mean correspondingly more.

A First Failure Quickly Surmounted

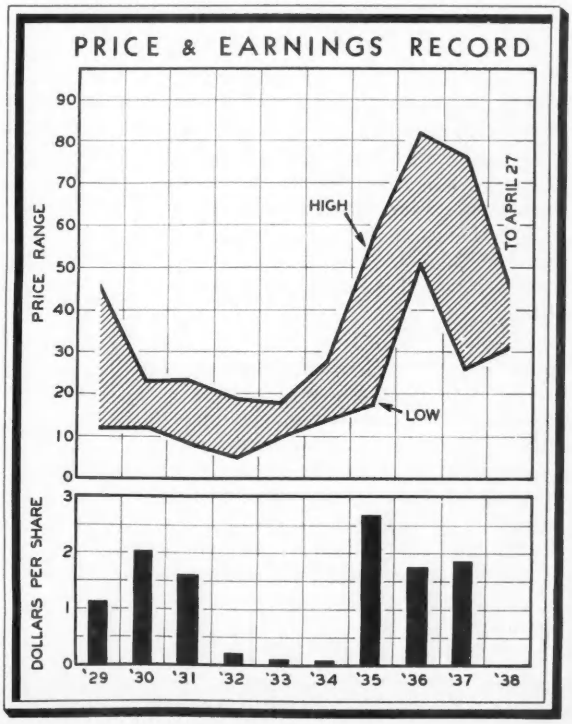
The entire history of the enterprise is filled with exactly the same sort of tense moments as those connected with the DC-4. When Donald W. Douglas decided back in 1921 that he could build a plane that would fly the continent non-stop, he borrowed $15,000 and went ahead. The result was the first Cloudster, which came down ingloriously at El Paso on its way from the Pacific coast, grounded by a motor failure which threatened to do the same for the new enterprise, although the engine was, as always, purchased from another manufacturer. Next, plans were submitted to the Navy in a competition for a torpedo plane. The Navy liked the plans and liked the planes built on order even better, so that the Douglas Co. had its first chance at volume production, with a total of twenty-one sold to the same purchaser within a short time.

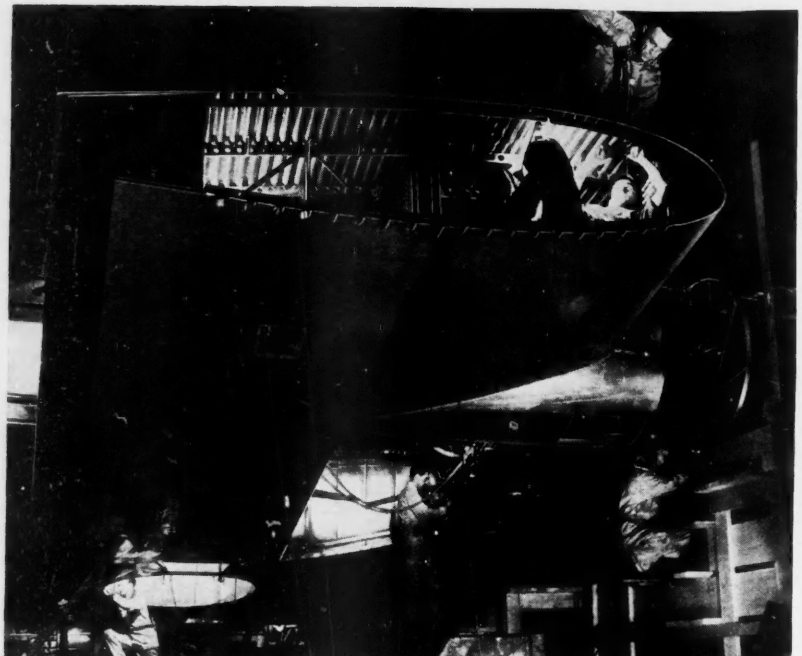
The idea of classifying twenty-one units as volume production may seem weird to those more familiar with the automobile industry than with aircraft manufacturing. Nevertheless, to the struggling Douglas Co. such orders were the only opportunity to divide among a number of units the expenses of plans and individual production problems. Profits when they came were immediately put back into the business in the form of more ambitious plans and increased personnel.

One excellent point about selling to the Army and the Navy almost exclusively was the lack of credit problems. Payments were begun after work had reached a certain stage, and were never doubtful. Contracts made in advance had a definite, almost discountable, value. To a pioneer industry whose credit was none too robust, this was more than a theoretical advantage. Capital meant progress in those days, and still does, although the capital is not so scarce nor is the progress quite so rapid.

When domestic airlines became important enough to make their weight felt in the manufacturing business, the Douglas organization was naturally interested. At that time, though, Henry Ford was supplying the airlines with his famous tri-motored plane, and Ford had too much money to spend, and lose if necessary, for a company like Douglas to consider bucking him. The strain told, however, and even Ford had to call a halt to his production. Thus it was that at the exact bottom of the depression, in 1932, Douglas had the courage and the vision to enter the commercial transport field. In that same year a 51 per cent interest was acquired in the Northrop Corp., newly formed to manufacture fast military planes of the smaller types. Complete ownership of this subsidiary was subsequently obtained through an exchange of stock. Meanwhile, back in 1928, the old Douglas Co. had been taken over by the present Douglas Aircraft Co., the assets being exchanged for 200,000 share of stock in the new company.

The advantage of competing in a field where Ford had been defeated was that the large planes built for the Government could in theory be readily converted into transports, and vice versa. Development expenses divided between the two might be minimized to the point where they would be relatively small, to say nothing of





Wing and power plant night crew at work in the Douglas plant.

the still-cherished hopes that manufacturing operations could be standardized in approved Chevrolet fashion.

Whatever the hopes, the fact is that profit margins have never been the same since Douglas entered the commercial field. Taking the four years after incorporation in its present form, from 1928 to 1931, the company showed average net earnings of 17.3 per cent of its sales. The following six years, which admittedly included a good part of the depression, resulted in a 5.9 per cent average profit margin.

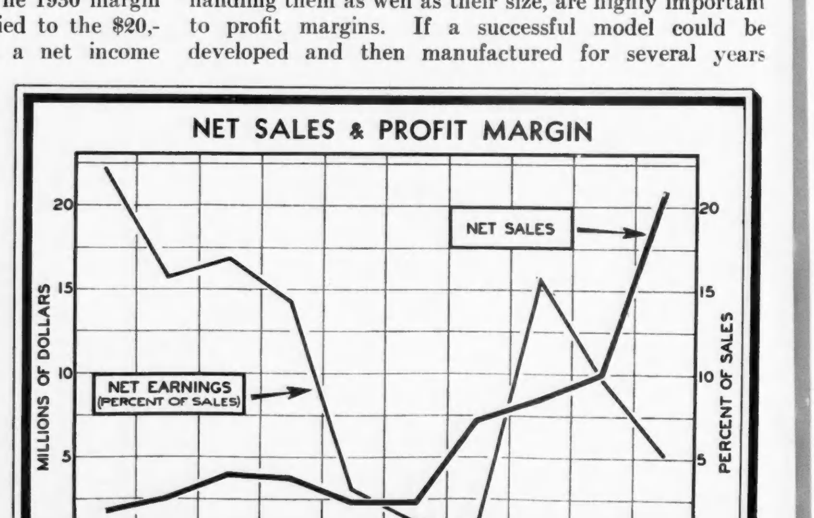
As an exercise in simple but fascinating arithmetic, stockholders who were disappointed with 1937 earnings may enjoy the following calculations. The 1930 margin of profit, which was 16.9 per cent, applied to the $20,-950,000 of sales in 1937 would mean a net income of $3,540,000. Since there is nothing in the way of preferred stock or bonds preceding the common stock, earnings on the 570,680 shares of the latter outstanding would amount to $6.20 per share.

Compared with this, the $1.90 per share actually reported for the year ended November 30, 1937, verges on the drab. An analysis of the income statement, however, brings out several facts which are more encouraging. The operating profit for the year was $2,-520,000. Experimental costs, mainly in developing the DC-4, amounted to $790,000. Depreciation, normal income tax, and other deductions less credits came to a total charge against income of $376,000, bringing earnings before Federal surtax on undistributed profits down to $1,354,000. Because no dividends were paid during the year, this last item was large—$272,000—and produced the final net figure of $1,-082,000, or $1.90 per share.

Now if Douglas Aircraft had conformed to old-fashioned bookkeeping methods, the cost of the DC-4 would have been set up as a capital asset, to be written off when and as it began to produce earnings. Instead of doing this, the company chose the ultra-conservative procedure of writing off most of the development expenses before the plane had even had a chance to contribute to income. Also, the company might have paid cash dividends to avoid the tax on undistributed profits, but preferred to build up working capital by retaining all earnings despite the penalty involved. These two charges alone, $683,000 for the DC-4 and $273,000 in extra taxes, were very nearly equal to the reported net income. In other words, the company could if it wished have shown earnings not of $1.90 per share, but of $3.57 per share last year, although dividends would have penalized working capital.

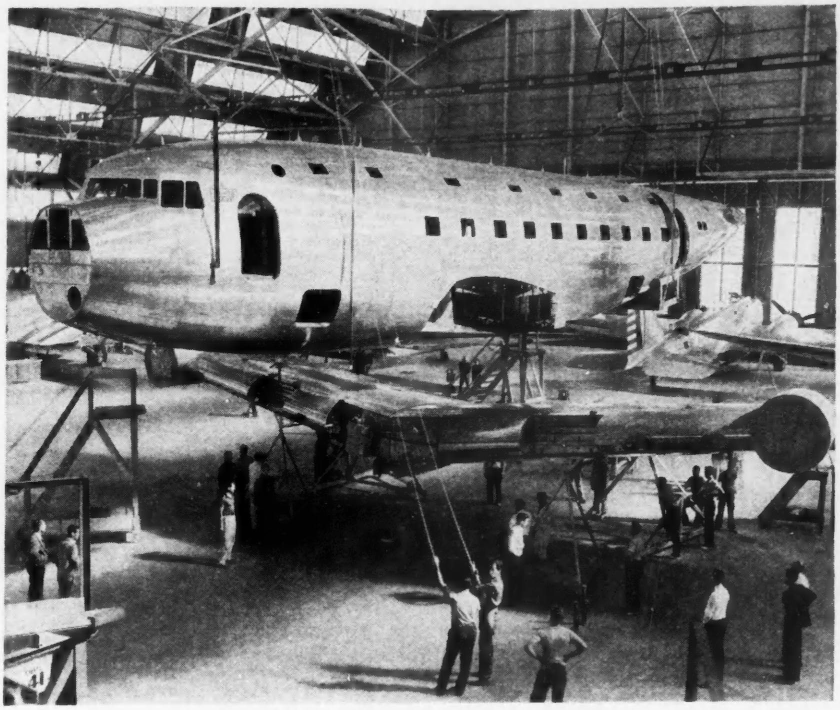
A quarter of a million dollars has been taken out of earned surplus and included among current liabilities as a reserve to provide for additional taxes in case the Government decides that 1937 earnings were understated because of experimental costs charged against current income. Such a decision would make the company liable not only for the normal corporation tax, but for the heavy surtax on undistributed earnings as well. On the other hand, it would allow larger charges against 1938 income and therefore smaller taxes.

It can be seen that experimental costs, the method of handling them as well as their size, are highly important to profit margins. If a successful model could be developed and then manufactured for several years



1937 profit margin is after undistributed profits tax.

with only minor changes, an aircraft maker might be able to concentrate on production methods which would eliminate waste and result in consistent profits. Douglas, for instance, had barely completed the successful DC-3 when it announced that it intended to build a larger and better plane, spending probably "in excess of $600,000" on the project. With the DC-4 finished, the company's engineers have without doubt begun to visualize its successor.



General view of the DC-4 under construction.

Heavy and constant experimental costs are unavoidable, both as a protection against competition from other plane makers, and as a means of improving transport ships to the point where the public will prefer them above alternative means of conveyance. Manufacturing costs can be more readily attacked. It has been estimated that the average maker who submits bids on Government planes figures his charges for the ships exclusive of engines and instruments about in the following ratio: for a single ship, say $14.50 per pound of deadweight; for fifty ships, $12.00 per pound; for one hundred, $7.50 per pound; and for one hundred and fifty ships, $6.00 per pound. It is evident that as soon as the size of an order passes fifty units, all the charges against that particular model become widely spread, materials can be bought in quantity, and elaborate presses and dies contribute their quota toward efficient manufacturing.

Douglas has proven its ability to make money in the past whenever any reasonable amount of volume could be obtained. Still, profit margins have by no means fluctuated in line with volume. What are the prospects for 1938?

Results of the first quarter of the fiscal year, the three months ended February 28th, have been about as expected. Sales totaled $6,652,000 and net profit was $406,771, or $.71 per share. Net working capital had increased during the three months from $6,385,000 to $7,044,362, while notes payable were $600,000 lower at $4,630,000.

Unfilled orders have been declining since November 30th, but the Army and Navy business comes in large sporadic waves and the commercial airlines are presumably waiting with some of their business until the new model is available. Including the Northrop Division, the back-log at the end of the fiscal year was $31,256,000, dropping during the three following months to $26,828,000. By far the largest customer on the books is the U. S. Army, with $17,835,000 in unfilled orders, the cost of 256 planes of various sizes.

Of smaller size but great significance is the export business the company is doing. About $1,316,000 of the first quarter volume represented foreign shipments and the backlog has nevertheless grown slightly to its present level at $3,739,000. Military sales abroad are confined to planes which are no longer considered dangerously advanced by the Government, while commercial sales also tend to be concentrated in the more aged models. This has a definite bearing on profit margins. Once all the experimental and development expenses on a certain ship have been written off, the bookkeping cost of producing more of the same model drops precipitately. Selling these planes abroad at generous prices is almost as lucrative as would be selling a two-year-old motion picture which had already paid the cost of its production and shown a profit on its domestic sales.

Foreign business is particularly interesting at the moment because of the drive going on in Europe to build up air forces, both commercial and military. The efforts of England to supplement her own resources with American-made ships have been very much in the limelight, but the excellence of these ships has not escaped the eyes of other foreign powers. It will be surprising if the armament race on the other side goes much further without developing into a mild sort of scramble for exactly the type of plane in which Douglas is preeminent.

England and the rest of Europe want bombers more than attack or reconnaissance ships. Their choice will lie among the Martin bomber, now several years old, the Boeing Flying Fortress, only a little over a year old, and the converted DC-3. Although brought out in 1936, the DC-3 is to experts a "sweet ship," whether as a transport or a bomber. Should such a plum as an order for $10,000,000 worth of these planes by any chance fall into the lap of Douglas, it could very probably be transmuted for stockholders into a melon of *(Please turn to page 126)*

Trading Opportunities in Technical Indications

General Electric and Its Triangle Formations

BY FREDERICK K. DODGE

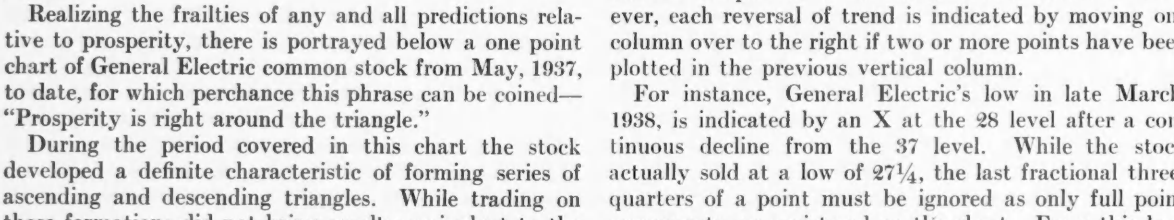
PROSPERITY was right around the corner back in 1931, just before the worst depression the country has ever seen in its history. More recently, after five years of New Deal perversities, what could be more apt than the expression in general use today that "Prosperity is right around the circle." From a political standpoint, no matter how you look at it, prosperity continues to be a mere will-o'-the-wisp and research into firmer ground is necessary to find the pot of gold at the foot of the rainbow.

Realizing the frailties of any and all predictions relative to prosperity, there is portrayed below a one point chart of General Electric common stock from May, 1937, to date, for which perchance this phrase can be coined—"Prosperity is right around the triangle."

During the period covered in this chart the stock developed a definite characteristic of forming series of ascending and descending triangles. While trading on these formations did not bring results equivalent to the fabulous pot of gold, in most instances the movement after a break-out from these triangles was of sufficient proportion to play for on a trading basis.

As many are not familiar with the construction of a one point chart, an explanation of the actual building of the chart appears to be in order before describing the triangle formations and how to profit by them. The name is derived from the fact that every full point movement, either upward or downward, is registered by a letter X in the sequence of the movement. For facility in reading such a chart, each multiple of five is denoted by the actual figure of value instead of the X. As long as the sequence of movement is in the same direction the X's are plotted in the same vertical column. However, each reversal of trend is indicated by moving one column over to the right if two or more points have been plotted in the previous vertical column.

For instance, General Electric's low in late March, 1938, is indicated by an X at the 28 level after a continuous decline from the 37 level. While the stock actually sold at a low of $27\frac{1}{4}$, the last fractional three-quarters of a point must be ignored as only full point movements are registered on the chart. From this low, the stock reversed its previous downward trend to rally over a period of several days to 32, and each point upward in sequence was registered with the necessary symbols. At the 32 level, a reaction occurred carrying



the price to 31 where an X was placed, and subsequently the stock declined to 30 when another reversal carried the new trend of the price movement in the issue to 35. Each reversal of trend was plotted in the adjacent right-hand vertical column, according to the rule set forth in the preceding paragraph. The next plotting occurred when the stock sold at 34, a reversal which necessitated a move over one column to the right, and the following movement was one which has often confused a point chart constructor. This move to the 35 level while a reversal in trend was not carried over to the adjacent right-hand column but the figure 35 was inserted directly above the X at 34 because only one point had been plotted in the previous reversal. This covers the fundamental principles of point chart construction and the remainder of the plotting to date is obvious from the preceding description.

It is important to point out that the time element is not a factor and the beginnings of months are indicated by the first letter of each month only for the purpose of reference to various moves. A stock may move several points within an hour and then again a full point may not be traversed for several days or more.

The point chart delineates various patterns equally as well as the familiar high-low-close, bar chart. Consider the sharply defined ascending and descending triangles which General Electric common has formed with almost machine-like precision for some period of time. The primary value of a triangle is to show an imminent move but until a break-out from the pattern takes place the direction is indeterminate. In addition the triangle formation is of value in that the length of the vertical leg is usually indicative of the extent of the movement following a break-out. Therefore the larger the triangle the greater the move to be anticipated.

Detecting the Clash Between Buyers and Sellers

The first triangle (A) was of the descending type with buyers aligned on the horizontal side of the triangle at the 50 level. (The term descending is derived from the fact that the pattern has descending tops. It does not indicate the direction of the movement upon a break-out from the triangle.) Support at this level was sufficient, however, to overcome the selling pressure and the greater strength of the buyers resulted in an ultimate movement to 55. Here the buying power waned temporarily and sellers took the upper hand to depress the stock down to the former level of support where buyers again demonstrated their strength at 50. The next rally failed to equal the previous high by stopping at 53, and on the following downward move the stock was supported at 51. At this junction the triangle formation was clearly outlined and a market commitment immediately after a break-out from the pattern was indicated.

In most cases volume declines as the movement within the triangle approaches the apex denoting a temporary exhaustion of both supply and demand, which more likely can be accounted for as skepticism on the part of both buyers and sellers as to the strength of the other. In this triangle the true strength was finally revealed with a break-out on the top-side of the triangle at 54 and the rush to buy gave positive indication that a move was underway. A purchase of the stock, after the 54 level

Trading Formations in G. E.

TRIANGLES	MEASUREMENT		
Descending (A)	50-55	Gain	5 points
Descending (B)	56-59	Gain	3 points
Ascending (C)	45-49	Gain	4 points
Ascending (D)	42-45	Gain	3 points
Ascending (E)	False	Loss	2 points
Descending (F)	37-41	Gain	4 points
Ascending (G)	40-45	Gain	5 points
Descending (H)	37-42	Gain	5 points
TOTAL NET GAIN			27 points

was penetrated (indicated by circle), was warranted for the possibility of a five point move using for a yardstick the depth or number of points in the leg of the triangle. The leg in question ran from the base 50 to 55, and the measurement was quite accurate as the upturn after the break-out carried five points to 59.

A general rule adhered to in watching the development of these patterns was that no triangle was deemed as clearly outlined until at least three points with some interspaced gaps were available to form a sound base. Several smaller triangles can be noted in the accompanying chart with two and three point bases but these were ignored to await the development of the larger patterns.

The next triangle (B) was also of the descending type with a base formation at the 56 level. Upon the first break-out at 55 (indicated by circle), a short position was taken and this was easily accomplished since the stock promptly rallied into the triangle to 56. After fluctuating for some time between 55 and 56 the selling pressure finally overcame the stubborn resistance and a decline was not terminated by a reversal of trend until the 51 level was reached. The period in which the stock was fluctuating between 55 and 56 brought anxious moments for the short seller but a covering of the short position was not indicated unless a rally penetrated the upper limits of the triangle. In triangle (B), the measurement called for a move of three points (yardstick measurement 56-59) but the decline actually carried to the 45 level before a rally of consequence was registered.

On this rally, the formation of a triangle of the ascending variety (C) was completed with an inverted base at the 49 limit. No market action could be discerned, however, until, after a short time, a break-out occurred at 47 (indicated by circle) which prompted an immediate short sale. The yardstick measure of four points (45-49) was quickly fulfilled with the decline in the stock to the 43 level.

No difficulty was encountered in the short sale indicated in the following triangle (D) at 43 with a covering at 40. A real problem did not arise until an ascending triangle (E) was formed. The rally after the panic selling of October 19th was halted at the 42 level and after a period of backing and filling a penetration of the inverted base at 43 (indicated by circle) required the establishment of a long position. This turned out to be a false move, one of the greatest drawbacks of triangle formations usually unaccompanied by volume, and the action soon reversed to show the true direction of movement. The subsequent decline through the lower limit of the triangle required (*Please turn to page 123*)

The Investment Clinic

Investors' Problems Which Are of General Interest

CONDUCTED BY J. S. WILLIAMS

Altering a Portfolio to Fit Its New Owners

One of the most interesting requests for advice in some time comes from a subscriber who has recently inherited a list of securities entirely unsuited to his requirements. Although the particular circumstances of this case are unlikely to be duplicated among many readers of the Investment Clinic, the letter is quoted at considerable length because its basic problem has a very general application among all investors.

"*My sister and I,*" the letter explains, "*have just inherited a fairly large estate. Separate provision is made for some real estate and several local mortgages, but the bulk of it is in securities and these are divided equally between us. If sold today, they would bring about* $135,000.

"*The largest single division is in guaranteed mortgages, which happen at present to be salable at relatively fair prices, and which I want to sell. Bank stocks, mostly banks in this county, amount to considerable and there are also a number of guaranteed preferred and common rails. Among the more readily marketable items are a small amount of municipals. I am not counting several cats and dogs which are practically worthless.*

"*Now these securities were bought over a long period of time and for the purpose of providing the largest income possible without gambling. They served their purpose very well. But neither my sister nor I should own them, I feel, in view of our circumstances. She is the principal of a grade school and could use some extra income, but in her case the real benefits of that income, the time when it will be needed most, lie in the future. (She is* 42 *and can retire on a pension when she reaches* 56, *and I am four years younger.) In other words, she should own the sort of issues which have reasonably good marketability, provide a steady but not necessarily large income, and will preserve her capital best for future needs. At the same time, she cannot ignore the possibility of a general rise in the cost of living—call it inflation or whatever you choose. She wants to preserve this inheritance in terms of living expenses, regardless of the number of dollars.*

"*To me, this inheritance is purely a windfall. I am earning a comfortable living, and though business is not so good at the moment, I don't need any outside income, nor do I need the money as capital. I can afford to speculate on a market recovery and that is what I intend to do. It doesn't make any serious difference if the recovery is postponed for some time, either. What I want to do is build my* $67,000 *share of these securities into a good-sized stake, taking the risks inherent in that process, and I want to start now while I can afford to be bold about it.*

"*Will you give me your opinion of the enclosed list for me and suggest what you think my sister should buy? Notice that on the list I am considering I have shown* 1937 *highs as a sort of guide to what these issues were able to do in the last bull market.*"

A Common Stock Portfolio Frankly Chosen for a Market Recovery

Amount	Issue	Current Value*	Value at 1937 highs
200 shares	American Metal	$ 6,000	$ 13,750.00
200 "	Barnsdall Oil	2,600	7,050.00
100 "	Caterpillar Tractor	4,000	10,000.00
200 "	Crucible Steel	5,000	16,350.00
200 "	General Refractories	3,800	14,050.00
100 "	Inland Steel	6,100	13,125.00
100 "	International Harvester	5,600	12,000.00
300 "	International Nickel	13,500	22,012.50
1,000 "	International Telephone	7,500	15,875.00
200 "	Seaboard Oil	3,800	10,825.00
300 "	U. S. Rubber	7,800	21,712.50
	Totals	$65,700	$156,750.00

Different Circumstances Require a More Conservative Portfolio

Amount	Issue	Value	Income
$10,000	Phelps Dodge conv. 3½% 1952	$10,550	$ 350.00
5,000	Consolidated Oil conv. 3½% 1951	5,000	175.00
10,000	Loew's Inc. S. F. Deb. 3½% 1946	10,000	350.00
50 shares	Food Machinery conv. pfd	4,600	[illegible]50.00
50 "	Holland Furnace conv. pfd	5,050	250.00
50 "	American Snuff	2,400	162.50
50 "	Beech-Nut Packing	5,000	200.00
50 "	Dow Chemical	5,000	175.00
50 "	Eastman Kodak	7,300	400.00
100 "	International Nickel	4,500	200.00
50 "	J. C. Penney	3,000	200.00
50 "	United Fruit	3,000	200.00
	Totals	$65,400	$2,912.50

The list enclosed with the letter is shown in the accompanying table, with prices brought up to date. It contains two producing oils, two metals, three issues representing the steel industry, two farm equipments, a rubber, and a special-situation utility. The oils and metals, comprising 40 per cent of the total, furnish a stake in essential commodities, and there can be no denying that the manufacturing companies will turn upward sharply with general business.

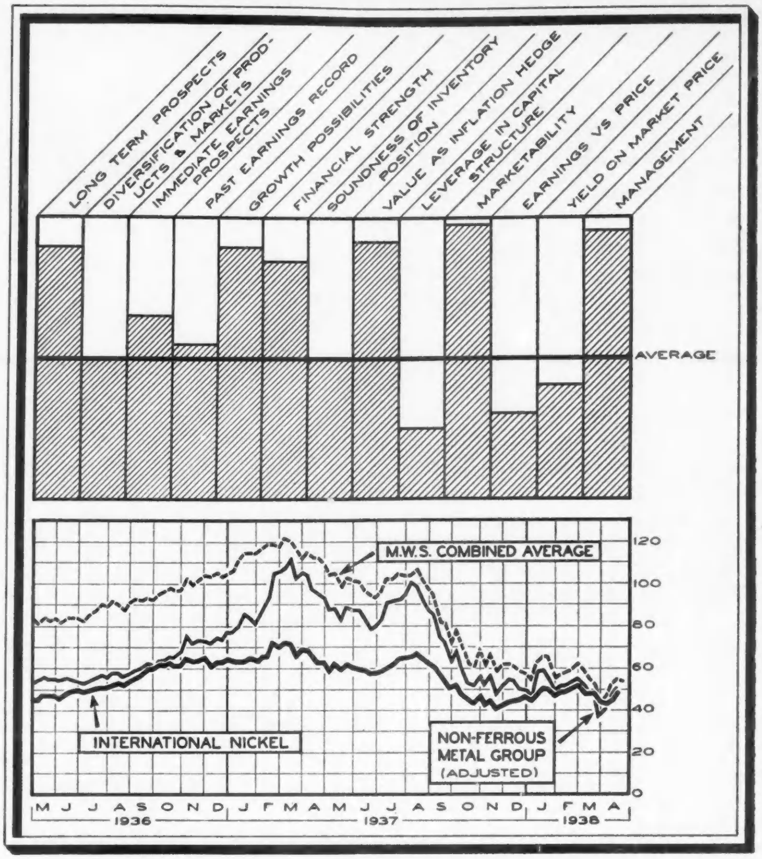
The list is, in our opinion, an excellently chosen one for the purpose and likely to give exactly the sort of performance desired, when the requisite market recovery arrives.

The other table shows the type of portfolio which should be constructed for Mr. M's sister. Here, although the stress is still upon principal rather than income, more conservative issues have been selected in keeping with the situation of the owner. Figuring upon retirement about in 1952, the three bond issues will become due by that time, and adjustments may be made for any substantial change in interest rates which may by then have taken place.

Without too great a sacrifice in quality, the conversion privileges attached to all but one of the bonds and preferred stocks make some provision for a general rise in prices and living costs. The one without such a provision matures within a relatively short time.

Dividends on the common stocks included in the list have been set down with the reservation that reductions in several individual cases would be neither surprising nor disastrous. The portfolio represents a practical compromise between two partially conflicting objectives, and as such we believe it can be conscientiously recommended.

Applying the Yardstick to International Nickel



Capitalization	Preferred stock, 7% cumulative, redeemable at 120, $27,627,825 par value; common stock, no par value, 14,584,025 shares.
Common Dividends	Total of $2.25 in 1937. Regular 50c payment March 31, 1938. Pays in American dollars, but subject to 5% Canadian tax.
Latest Earnings	$3.32 per share in 1937, $2.40 in 1936, $1.66 in 1935.
Comment	Largest nickel and fourth largest copper producer in the world. Beginning 1935, earnings have set new high records each year. Sales of both metals as well as gold at all-time highs in 1937 and plants have since continued active, although inventories increasing due to excess of production over sales. Most of the copper and half of the nickel are sold in Europe where industrial use and armament programs have bolstered consumption. First quarter earnings probably covered dividend with comfortable margin.

Investors Should Not Be Traders

While a department of this nature can obviously be more helpful to those readers who are holding unwisely constructed portfolios than to those who have chosen well, the number of inquiries from such people suggests that something may be done for them also. The March dip in the market was particularly unsettling to many conservative long-term investors who were prepared to see poor earnings statements for the first and second quarters but not to see their stocks drop as they did. Feeling that current prices will look low a year from now, the action of the market nevertheless took their eyes off the future and sharply onto the present scene. Holdings bought "for the pull" were re-examined with serious thoughts of selling them.

Not only is this the natural reaction, it is the proper one. No investor should shut his eyes to whatever the market is trying to portray, least of all at a time like the present. It would be unfortunate, however, if sound securities were thrown overboard simply on the nervous response to a sharp dip in prices. Where the investment objectives are aimed at a mark a good distance in the future it is logical to require proof from the market over a comparatively long period of time before accepting its implications. Short-term traders may cultivate an entirely different technique, but the investor should act deliberately in both buying and selling. Having bought for investment purposes, he should not ordinarily sell on trading impulses.

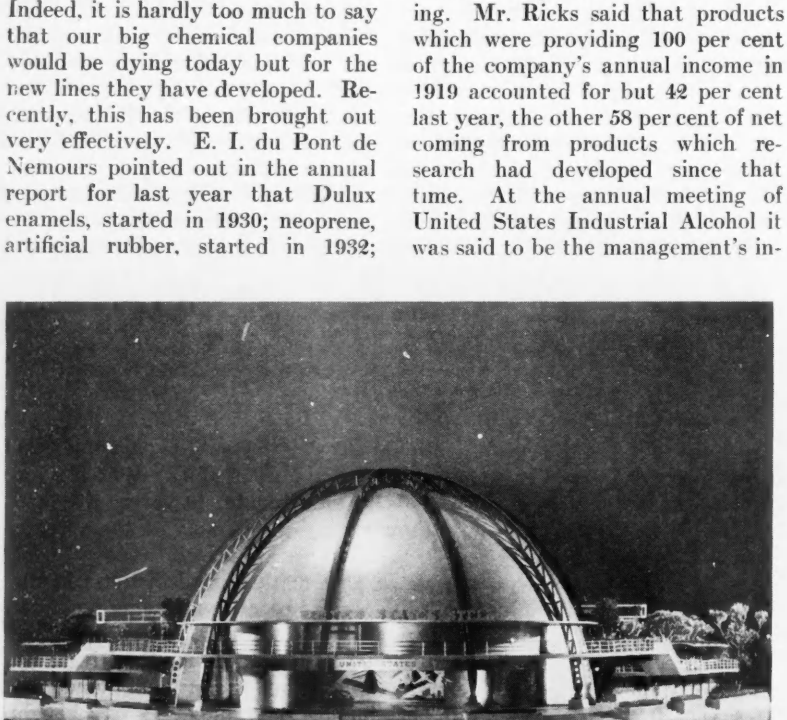
A story told in these pages thirty years ago shows how difficult it has always been to adhere strictly to an investment program. (*Please turn to page 127*)

For Profit and Income

Chemicals Thrive on New Products

It is well known that our big chemical companies are among the foremost advocates of research and that their efforts to discover new products and processes are often fruitful. The tremendous importance in dollars and cents of these new products and processes, however, may be less generally realized. Indeed, it is hardly too much to say that our big chemical companies would be dying today but for the new lines they have developed. Recently, this has been brought out very effectively. E. I. du Pont de Nemours pointed out in the annual report for last year that Dulux enamels, started in 1930; neoprene, artificial rubber, started in 1932; synthetic camphor, started in 1933; urea, started in 1935; titanium pigments, started in 1931; acetate rayon, started in 1929; together with certain other comparatively new products such as Duco, synthetic methanol and viscose rayon, last year accounted for 40 per cent of the company's total sales volume. The same idea was conveyed by the President of the Union Carbide & Carbon Corp. at the annual meeting. Mr. Ricks said that products which were providing 100 per cent of the company's annual income in 1919 accounted for but 42 per cent last year, the other 58 per cent of net coming from products which research had developed since that time. At the annual meeting of United States Industrial Alcohol it was said to be the management's intention to push the chemical division vigorously: also, that this division now comprised about 38 per cent of gross income, compared with 15 per cent seven years ago, and that it was hoped that 75 per cent of the company's business would be chemicals eventually.

Currently, the chemicals are suffering with business in general. Depending on the company, sales volume is down between 25 and 50 per cent. But despite this, the chemicals are still a popular group, for there is the certainty that when business *does* improve they will obtain more than their share of participation because of the further development of new products.



Above is a model of the building in which U. S. Steel plans to house its exhibition at the New York World's Fair of 1939

Outlook for Railroad Equipment Companies

Contradictory developments followed fast upon the proposal that the R F C set aside $300,000,000 to lend the railroads for the purchase of equipment. Southern Railway entered the market for 5,000 freight cars and additional passenger equipment. On the other hand, Daniel Willard of the B. & O. on being asked whether his road would take advantage of the new plan said bluntly: "We don't need equipment." Other railroad executives have expressed the same lack of interest. Unfortunately, it appears that the Southern Railway order was just a flash in the pan and in no way foreshadows a general wave of equipment buying. This road is in a special position, having long followed a policy of scrapping cars

and not replacing them. Hence, its annual bill for car hire has been exceptionally high and the new cars can be counted upon to pay for themselves automatically, although not without adverse effects upon those roads with an over-supply of rolling stock which have benefited from the rentals paid by the Southern.

It may as well be faced squarely that the buying of railroad equipment primarily depends upon traffic. It is not enough, as has been shown before, that credit be available — even credit on liberal terms —the roads in general will not buy until they can clearly see a use for their purchases. Carloadings will pick up, of course, in the late summer and fall, particularly in view of the bumper crops of certain farm products, notably wheat, but there appears no chance of the railroads' facilities being strained. Should this prove to be a correct interpretation of the outlook, most makers of railroad equipment will continue to operate at a loss for some time to come.

Developments in Companies Recently Discussed

United States Steel . . . It was an agreeable surprise to discover that the loss by this company in the first quarter had been held to $1,300,000 and that the directors felt justified in declaring the regular dividend on the preferred. Shipments were only just above 35 per cent of capacity: previously it had been generally believed that the company could not make money unless operating in excess of 50 per cent of capacity. It becomes apparent now that black figures could be reported when operating at less than 40 per cent.

Ingersoll-Rand . . . It was announced at the annual meeting that the company's business volume in the first quarter of the present year was 38½ per cent below that of the first three months of 1937. It was pointed out, however, that this was the result of domestic conditions, for foreign operations were holding up well.

Graham-Paige . . . Recently announced price cuts between $40 and $92 on its line of sedans. It is not thought, however, that there will be any general price cutting on cars of this year's models, although it is believed likely that 1939 models will either be lower in price or represent more car for the money.

Corn Products Refining/Penick & Ford . . . Although the industry ground less corn in the first quarter of this year than in the first quarter of last, the combined net profit of these two companies was up about 43 per cent. The reason was cheaper corn and the restoration of normal profit margins. Both companies should continue to do relatively well.

Otis Elevator . . . Was stated to have earned its dividend in the first quarter, with conditions brightening considerably in the month of April. Here is another company whose foreign business has held up better than domestic.

American Woolen . . . Recently announced that "due to extremely unsatisfactory business conditions which the company has experienced since the beginning of the fourth quarter last year" it had been found necessary to cut salaries.

American Can/Continental Can . . . For years, few commodities have had a greater uniformity of price than tin plate. In the past, while quotations were at times revised, a change was invariably accepted by all major producers. Now, however, there are signs that the uniform front is cracking. Having worked so long with a raw material of very stable price, the change will be of considerable importance to the big users of tin plate, American Can and Continental Can.

Consolidated Edison . . . The stock of this company stood out as an example of firmness in a generally weak market on the news that the equivalent of $1.10 a share of common had been earned in the first quarter compared with $1.03 a year ago. The weather in the first quarter of 1938 was more favorable to the heating division, while the output of electricity was about 4 per cent above 1937.

American Tel. & Tel. Replies

When it was refused permission to present its side of the question in the recent Federal Communications Commission's investigation, the American Telephone & Telegraph Co. justly felt aggrieved. Then came the "one-man" report by Commissioner Walker, the highlight of which was that a 25 per cent reduction in rates could be effected without harm to the company. Evidently feeling that it should do something for the protection of its stockholders, the American Telephone & Telegraph Co. has prepared no less than forty-two pamphlets which answer some of the allegations which have been made. While stockholders and others will find the Telephone company's case in general well worthwhile, one point in particular amuses us for it is typical of the wild and sloppy arguments which have come from Washington in such quantities during the past few years. In reply to the charge that Western Electric's 1936 costs were 21 per cent higher than "maxnorm costs," the company points out that "the correction of solely mathematical errors reduces this reported difference to 11.8 per cent."

They Can't Win

Chain stores now being persecuted in many states through the medium of discriminatory taxation, but so far as the grocery chains are concerned they thought they saw in self-service super-markets a way of alleviating their troubles. It appears, however, that even this avenue of escape may be blocked. The City of Camden recently adopted an ordinance under which

(Please turn to page 128)

Profiting in a Specialized Field

A Stock with an Excellent Record and a Promising Future

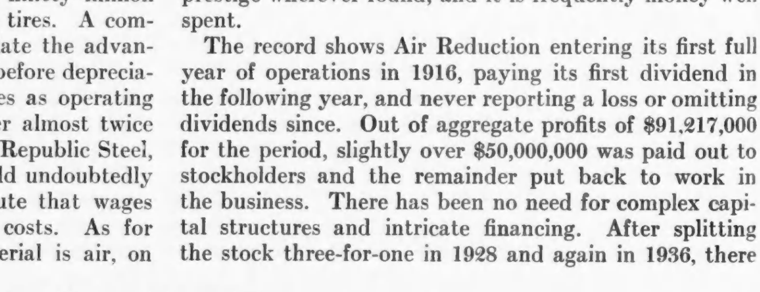
BY MORTON DIEHL

HENRY FORD may some day make an automobile out of soy beans and Du Pont may make the tires for it out of chemicals, but both could learn something from Air Reduction Co. about how to make ninety million dollars out of the air that inflates those tires. A company like U. S. Steel, too, would appreciate the advantages of an operating ratio of 68 per cent before depreciation, leaving nearly a third of gross sales as operating income, and a plant account turned over almost twice in sales within one year. Mr. Girdler, of Republic Steel, or Mr. Knudsen, of General Motors, would undoubtedly be taken with a labor problem so minute that wages amount to perhaps an eighth of total costs. As for inventory losses, the principal raw material is air, on which no writedowns have as yet been necessary.

That is the bright side of the Air Reduction picture. For the reverse, one need only glance at the accompanying chart of the Federal Reserve index of industrial production carried into the first part of 1938. When steel mills, railroads, building construction, public utilities and factories all over the country are stepping up activities, Air Reduction prospers. Even in a year like 1932, the company manages to get along far better than the average industrial enterprise. But with profits off 60 per cent in the first quarter of this year, only a miracle could be expected to coax the final 1938 results close to the $2.85 a share earned in 1937. Therefore the stock, selling in the middle forties, appears anything but cheap on the times-earnings ratios prevalent today.

The market price expresses in dollars and cents the esteem in which this issue is held, not only because of the advantages already pointed out, but on its reputation for virility and accomplishment over the years. One pays a premium for prestige wherever found; and it is frequently money well spent.

The record shows Air Reduction entering its first full year of operations in 1916, paying its first dividend in the following year, and never reporting a loss or omitting dividends since. Out of aggregate profits of $91,217,000 for the period, slightly over $50,000,000 was paid out to stockholders and the remainder put back to work in the business. There has been no need for complex capital structures and intricate financing. After splitting the stock three-for-one in 1928 and again in 1936, there



are today 2,566,191 shares of common as the sole capitalization. On these, payments totaling $3 per share were made in 1937, showing that the company has reached the point where dividends can safely approximate earnings and even upon occasion exceed them.

The sale of oxygen and acetylene for use in cutting and welding metals produced the great bulk of these earnings. Both gases are shipped in heavy steel tanks, with the cost of shipping so important that Air Reduction and Union Carbide, who together share 85 per cent of the total domestic business, have found it economical to spread operations among numerous small plants scattered according to the location of customers. Somewhere in every sizable industrial center is to be found an Air Reduction plant, rather insignificant from the outside and lacking the lines of workmen with dinner-pails which would identify it as a busy factory.

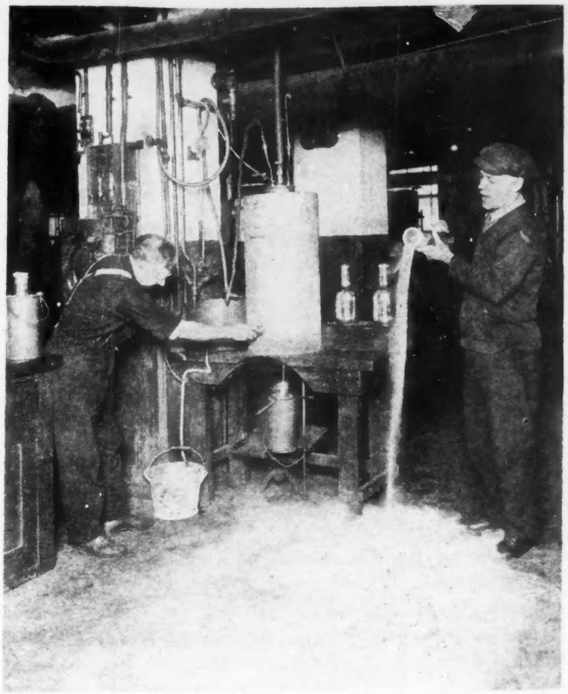
Inside, there will be a few huskies handling the cylinders and a smaller number of skilled men overseeing the machinery. Carbide, which is produced from limestone fused with coke at great heat, needs only the addition of water to form acetylene. This is the fuel in the oxy-acetylene torch, just as it was in the automobile headlights of twenty-five years ago. The other gas necessary to get the torch flame to the requisite heat is the oxygen which nourishes life and combustion. In order to satisfy our oxygen needs we breathe air, and for the same purpose Air Reduction puts plain, ordinary air through processes which gradually eliminate the undesirable elements, using catalysts, compressing it, heating it, cooling it, liquefying it, vaporizing it, and finally shipping out millions of containers of the commercally invaluable oxygen.

A subsidiary makes torches in which oxygen and acetylene are combined to produce a flame capable of cutting through heavy steel or, when mixed in different proportions, of welding any two pieces of the metal permanently together. Steel mills and the railroads account for about 40 per cent of the consumption of the two gases, with the balance spread among practically every important industry.

Then another fairly recent acquisition, the Pure Carbonic Division, which has been augmented by the purchase of numerous small manufacturers, takes care of the by-products of the oxygen production and this is the carbon dioxide for use in making carbonated drinks and also dry ice. Competition in this field is keen and prices are low, so that although a respectable volume has been achieved the contributions to net earnings are modest. Other by-products of breaking apart the atmosphere—nitrogen, argon, hydrogen, neon, helium, krypton, and so forth—are potentially valuable aids to income.

Finally, there is the Wilson Welder & Metals Co., now fully owned, which has developed a good business in electric welding. Oxy-acetylene and electric welding are suited for different purposes and therefore not direct competitors, but Air Reduction has wisely entered both fields. Good customers are thus given all-around service, and the company is at least partially protected against unforeseen advances in the use of electricity as a substitute for the oxy-acetylene method.

If Air Reduction management can be accused of a serious error, it is in the purchase of a total of 94,400 shares of U. S. Industrial Alcohol Co. which are carried on the balance sheet at a price of about $45 a share. The investment in the latter company was originally made in 1927, for the purpose of coordinating the activities of the two enterprises wherever possible, and although some sales and purchases have since been made, there can be little doubt that the original motive has been the guiding one. How important a help U. S. Industrial Alcohol will ever be to Air Reduction in developing its potentialities is questionable, however, as is the wisdom of the purchase of the last 15,900 shares during 1937 at an average price of $18.88 for the reason given in the annual report, that "this price is considered to be substantially below the sound value of the net current assets of that company." More logical undoubtedly was the purchase during last November and December of 13,200 shares of the company's own stock at an average price of $48.79 per share.



Liquid air—here being poured to demonstrate its great volatility at ordinary temperatures—is the all-important intermediate product in the manufacturing of oxygen and nitrogen gases.

However valid such a criticism may be, there is no avoiding the fact that the management has done a consistently good job in expanding the business without the sacrifice of efficiency. The company paid larger taxes in 1937 than its gross business in 1916, and wages have also risen, yet the operating ratio, the percentage of operating expenses (excluding depreciation) to gross revenues, has been held for many years between 60 per cent and 68 per cent. Bookkeeping has been ultra-conservative, with the result that the Government has refused to allow many of the charges levied against earnings. Among the recent signs of progress is the use of tank cars for delivery of gases to large customers, with consequent savings in transportation charges. Research in the possible uses of both its main products and the comparatively unimportant rare gases is a means of building for the future. Without (*Please turn to page 122*)

How to Improve Your Security Position

10 Low-Price Possibilities — 10 Investment Opportunities

BY EDWIN A. BARNES

THIS is the third of a series of discussions designed to assist the investor in adjusting his common stock portfolio more to closely conform with existing business and market conditions. The first appeared in the April 9 issue of THE MAGAZINE OF WALL STREET and was concerned with issues of companies which in the past had displayed noteworthy resistance to general business depressions and which, even under the most adverse conditions, were able to maintain dividend payments without interruption. The second discussion appeared in the April 23 issue and dealt with a selected group of issues which appeared to offer profitable opportunities for averaging. Also, and for the investor with liquid funds, a selected group of low price issues for speculative acquisition were recommended. In a large measure the following remarks and accompanying recommendations are supplementary to this second discussion.

It is necessary to again emphasize that in the present setting that the purchase of any common stock must be considered something of a speculation. For even though considerable discrimination is employed in the purchase of common stocks at this time, the investor has no assurance that later sinking spells in the market may not further depress the value of high grade issues, although naturally in less proportion than those of lower caliber.

In the circumstances, the investor might reasonably question the wisdom of purchasing common stocks at the present time, in favor of deferring commitments until business shows visible signs of improvement. When that time comes, however, it is a fairly safe assumption that most stocks will probably be selling higher—perhaps substantially so—than they are now. Thus, the investor is automatically assessed perhaps a heavy premium in return for the greater certainty which doubtless would prevail when the market is again at higher levels. The question thus resolves itself into whether the investor prefers to pay such a premium for awaiting clearer economic skies, or whether he is willing to speculate on the possibility that business will be definitely better in the last half-year. Should judgment in the latter respect prove correct, the financial rewards will undoubtedly be worthwhile.

Timing the purchase and sale of securities to such a degree of perfection as to derive the near maximum advantages of major market swings requires exceptional skill and judgment—and some luck. Moreover, determining the absolute bottom of a decline is, if anything, more difficult than determining the top of a rise. Presumably, this is because the extreme lows are likely to be registered in an atmosphere of gloom and uncertainty.

While the present situation leaves much to be desired, it is not exactly gloomy and the vague uncertainties which prevailed at the beginning of the year have been somewhat dispelled by the more recent trend of events, and notably the more hopeful trend of political developments. From all which it is possible to conclude that the bear market has entered its final phase and the previous lows may represent *the* lows for some months to come. This applies particularly to the shares of the better situated companies. A selected list of such issues, worthy of consideration for investment acquisition, accompanies this discussion.

Low-Priced Switches

Either as suitable switches from issues which for one reason or another have turned definitely "sour," or as mediums for the employment of more speculative funds, low-price stocks offer several promising inducements. For one thing, the choice of low-price stocks has been considerably enlarged by the market decline of the past

Attractive Low Price Stocks

Issue	1937 Price Range High	1937 Price Range Low	1938 Price Range High	1938 Price Range Low	Recent Price
National Cash Register	38⅞	13	18¼	12½	16
Twentieth Century-Fox Film	40⅞	18½	24	16⅛	22
Anchor-Hocking Glass	24¾	10	18	10¾	16
Ruberoid	38	17¼	23¾	13	20
American Car & Foundry	71	15¼	27½	12⅝	18
American Radiator & Stan. San	29½	9¼	14¼	9	12
Ex-Cell-O Corp	27⅝	7	13¾	8	12
Socony-Vacuum	23¼	13	16⅜	10¾	13
Square D	48⅜	16	21½	12½	16
Nat'l Malleable & Steel Castings	61⅞	16½	24	13¼	16

six months. While the rank and file of low-price issues continue preponderantly of the "cat and dog" variety, and have little to recommend them aside from their low price, there are numerous issues now selling in the low 20's, and less, which possess well founded merit. They offer an equity in companies of established industrial prestige (and not necessarily marginal companies) having a good record of earning power under reasonably favorable conditions and with ample financial resources to see them safely through a period of restricted operations. Another factor favoring low-price issues is the likelihood that they will be less vulnerable to intermediate sinking spells which may possibly develop in the market over the next several months. A choice of low-price issues also carries the speculative advantage of giving the purchaser a greater number of share units coupled with the potentially greater percentage of price appreciation. The accompanying list of low-price issues augments the list which appeared in the April 23 issue of THE MAGAZINE OF WALL STREET and for additional selections the reader is referred to that issue.

Several issues have been selected from both of the accompanying lists for more detailed analysis. The choice has been made arbitrarily and without prejudice to the other issues listed.

Stocks Attractive for Investment

	1937		1938		
	Price Range		Price Range		Recent
Issue	High	Low	High	Low	Price
Procter & Gamble	65½	43¼	50⅝	39½	47
F. W. Woolworth	65⅜	34	43⅞	36	42
Beech-Nut Packing	114¾	90¾	103⅞	94¾	100
American Can	121	69	91½	70¾	87
International Nickel	73⅜	37	52¾	36⅞	47
International Harvester	120	53½	70	50¼	60
Loew's Inc	87⅞	43⅝	52⅞	33	42
Climax Molybdenum	41	24½	43	32½	41
United Aircraft	35⅛	10¾	27⅜	19½	27
Monsanto Chemical	107½	71	91½	68¼	70

Ruberoid Co.

The Ruberoid Co. manufactures a large and complementary line of building materials. Of these, asphalt and asbestos roofing materials are probably the most important, while other products include various types of insulating materials, floor coverings, sheathings, packing paper, paints, etc. The company and its products are thoroughly established in their field, the original enterprise dating its existence back to 1886. Throughout this period the scope of both manufacturing and distribution facilities has been steadily enlarged. A total of eleven plants, located throughout the country, are now operated and during the past year manufacturing capacity was substantially enlarged at two of the company's key plants. Adequate supplies of raw materials are assured by the ownership of an asbestos mine. Notwithstanding the fact that the company's business is heavily dependent upon widely fluctuating building activity, the earnings record over a period of years compares quite favorably with that of other enterprises identified with more stable industries. With the exception of 1932, when a loss of about $220,000 was shown, profits were shown throughout the last depression. Even in 1932, the deficit was not an "out of pocket" loss, the company in that year charging off nearly $324,000 for depreciation. Dividends have been paid in every year since 1889.

Responding to the large volume of building activity last year, sales of Ruberoid increased about $2,000,000, to $16,619,242. Unfortunately, however, competitive conditions prevented the company from advancing prices sufficiently to compensate for higher costs, with the result that profits declined somewhat from the 1936 level. Net profits of $750,509, after depreciation, Federal taxes and taxes on undistributed profits, compared with $812,930 in 1936 and $505,746 in 1935. During 1937 the outstanding stock, comprising the entire capitalization, was split three-for-one. On the basis of the 397,806 shares outstanding at the year-end, earnings last year were equivalent to $1.89 a share, compared with $2.04 a share earned in 1936. Cash dividends paid last year were equivalent to 60 cents a share on the present stock, plus a dividend of $1.40 a share in registered promissory notes. The latter are due December 20, 1940, and bear interest at the rate of 4 per cent per annum. About $557,000 of these notes were outstanding at the end of 1937.

The dividend regularly paid on March 31 was deferred this year but the probabilities are that unless conditions become substantially worse, every effort will be made to maintain the long record of sustained dividend payments intact this year. Notwithstanding the slump in general business, building activity thus far this year has provided one of the brighter spots in the industrial prospect. Furthermore, the reinstatement in the Federal Housing Program of provisions making funds available for modernization programs should act to stimulate demand for Ruberoid's products. Recent quotations for the shares, around 20, compare with a 1937 high of 38. It should be noted, however, that the company's net quick assets at the end of last year were equivalent to about $12.50 a share. On the whole, therefore, the shares appear conservatively appraised and invite favorable consideration among issues in their price class.

Beech-Nut Packing Co.

On the basis of the company's past record, the shares of Beech-Nut Packing Co. qualify admirably as a depression-resisting medium. Few companies can show a better record of earnings in both good times and bad. The company's line of products comprises a wide variety of food and confectionery items, including hams and bacon, coffee, crackers, jellies and chewing gums. Most products are nationally advertised and are sold on a quality rather than price basis.

For all practical purposes, the 437,524 shares of common stock make up the company's entire capitalization. There are but 45 shares of preferred stock outstanding.

Net profit of $2,741,203 last year was equal to $6.26 per share for the common stock, and compared with $2,709,-039 or $6.19 a share in 1936. Moreover, the effects of the current business slump were barely perceptible in the company's first-quarter earnings. Net in the initial three months of this year totaled $628,407 and was equal to $1.20 per share for the common stock, comparing with $674,399 or $1.28 a share in the first quarter of 1937. Financial position at the end of last year was exceptionally strong, with current assets, including over $8,000,000 cash and Government securities, totaling $15,574,762, and current liabilities of only $1,533,569.

With the assurance of a strong financial position, the company is well justified in pursuing a liberal dividend policy. Last year dividends, including an extra of $1 and a special of $1, totaled $6, and in the first two quarters of this year the regular $1 rate was augmented by extras of 25 cents.

Selling at 100, Beech-Nut Packing common affords the investor an attractive yield through the medium of one of the more conservative common stock issues available at this time.

Square D Co.

Specializing in the lighter types of electrical equipment, Square D Co. is one of the smaller units affiliated with the electrical equipment industry. The company, however, is by no means a marginal enterprise, being thoroughly established and with an impressive record of earnings to its credit, over an extended period of time. Square D is rated the largest manufacturer in the United States of safety switches. Other products include meter service switches, lighting and power panels, switchboards, various types of electrical controls for industrial use, insulators and fire-alarm station equipment. Under normal conditions not only does industrial demand afford an important outlet for the company's products, but a substantial demand also emanates from private building and repair work. To the extent that wide variations in the volume of business are characteristic of the electrical equipment industry, Square D's earnings have varied widely over a period of years. The demand for equipment fluctuates considerably on either side of the production trend, responding to the psychological shifts which affect business planning. It would appear, however, that the company enjoys certain advantages over the larger manufacturers of equipment, particularly when conditions are adverse. The preponderance of light equipment, coupled with the fact that, being a smaller enterprise, the management can more readily adjust operations to increased demand, has tended to impart a fair measure of stability to earnings.

For example, in 1932, Square D showed a loss of less than $125,000. From that year on, earnings have risen rapidly and last year profits established a new high record. Net income totaled $1,062,773, compared with $982,022 in 1936. A recapitalization last year resulted in the elimination of the two classes of stock formerly outstanding and concentrating the equity in 343,860 shares of common stock. Earnings last year were equivalent to $3.09 a share, comparing with $2.86 a share, based on the present capitalization, in 1936. In the first quarter of the current year, however, the effects of the slump in general business became more apparent in the company's operations. Volume ran about 25 per cent under the first quarter a year ago, with the result that net profits declined to $65,641, or the equivalent of 19 cents a share, as compared with $214,073, or 62 cents a share, in the March quarter of 1937. Net for the twelve months to March 31, last, was equal to $2.66 a share. Including a year-end distribution of $1.50 a share, total dividends last year were equal to $2 a share. Earlier this year a payment of 15 cents a share was made and apparently it is the intention of directors to adjust dividend payments to conform closely with earnings. The second quarter, at least, is unlikely to show much, if anything, in the way of earnings improvement, although conceivably the company may benefit to some extent as a result of the well sustained level of building activity.

Unless business generally remains in the doldrums for a longer period of time than is now anticipated, the common stock of Square D Co. around 16 would appear to be selling at levels which adequately discount the adverse factors in the immediate outlook. Acquired as a speculative venture and emphasizing the company's longer range prospects, the shares may well prove a profitable commitment.

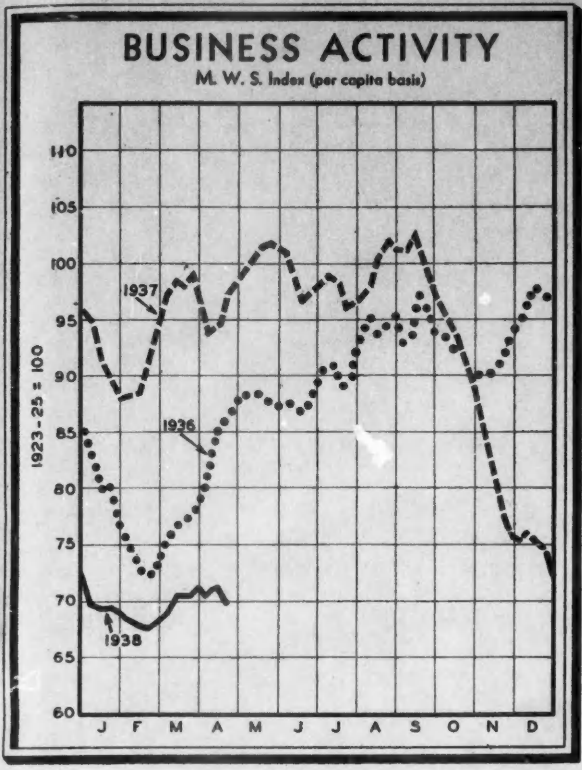
F. W. Woolworth Co.

In every respect, 1937 was a banner year for F. W. Woolworth Co. Sales were the highest in the company's history; marked success attended the company's abandonment of its traditional policy and broadening its line of merchandise to include higher priced items; twelve additional stores were added to the domestic chain and thirty-four stores were added to the British chain. The company's net profit last year totaled $33,176,509, equal, after all charges and taxes, to $3.40 a share on the 9,750,000 shares of capital stock outstanding. This compares with net of $32,624,988 or $3.35 a share in 1936.

At the end of last year, the company had in operation 2,010 stores in the United States and Canada, and foreign subsidiaries operated 711 stores in Great Britain and 82 stores in Germany. British and German subsidiaries contributed total income last year of $13,022,-791, or slightly more than in 1936. Of this, the British affiliate contributed $11,274,553 while German income amounted to $1,748,238. For several years past the company has been engaged in a program of modernization of key stores throughout its chain and this program, together with the opening of new units, will be continued this year. To provide adequate working capital to finance this program, $10,000,000 of ten year 3 per cent sinking fund debentures were privately marketed last year. Financial position at the year-end was characteristically strong with cash alone of more than $19,082,-727 as compared with total liabilities of $7,974,201.

Sales in January and February of this year, contrary to the experience of most retail chains, were slightly larger than in the same months a year ago. But, due to a late Easter, volume in March declined about 11 per cent below that of March, 1937. The probabilities are, however, that April sales will show a satisfactory gain.

The present dividend of (*Please turn to page* 123)



HIGHLIGHTS

INDUSTRY—Industrial activity stabilizes at about 5% above the February low. Little nearby stimulation expected from Government's pump priming and easy money program.

TRADE—Retail sales spurt to above last year during pre-Easter week, causing unexpected re-orders from wholesalers. Most department stores in red during first quarter.

COMMODITIES — Raw material prices weaken, under weight of bumper crop prospects and mounting primary supplies.

MONEY AND CREDIT —Rising excess reserves stimulate demand for Government securities, and start recovery in bond prices; but business loans still contract.

The Business Analyst

While the recovery in per capita **Business Activity** has thus far amounted to but little more than 5% from the extreme low of 67.7% of normal touched during the third week of February, it is rather encouraging that even this modest gain has held for the past few weeks. Among the various components of our Business Activity Index somewhat better than normal seasonal expansion has taken place during the past month in Automobile Production, Electric Power Output and Car Loadings. Soft Coal production has recently picked up surprisingly in spite of heavy inventories held by the utilities; since stocks carried by large industrial consumers and the railroads have fallen to a level that necessitates replacement. In the **Cotton Textile** field, excess inventories are being worked off rapidly through shut-downs by Southern mills.

* * *

Competent observers are in substantial agreement that it will be some months before the Government's renewed pump priming and cheap money prescription could produce any results, if at all. In other words, recovery must depend upon Nature's old-fashioned remedies—inventory reductions and correction of price and wage maladjustments. That costs are still too high is strikingly demonstrated by a recent

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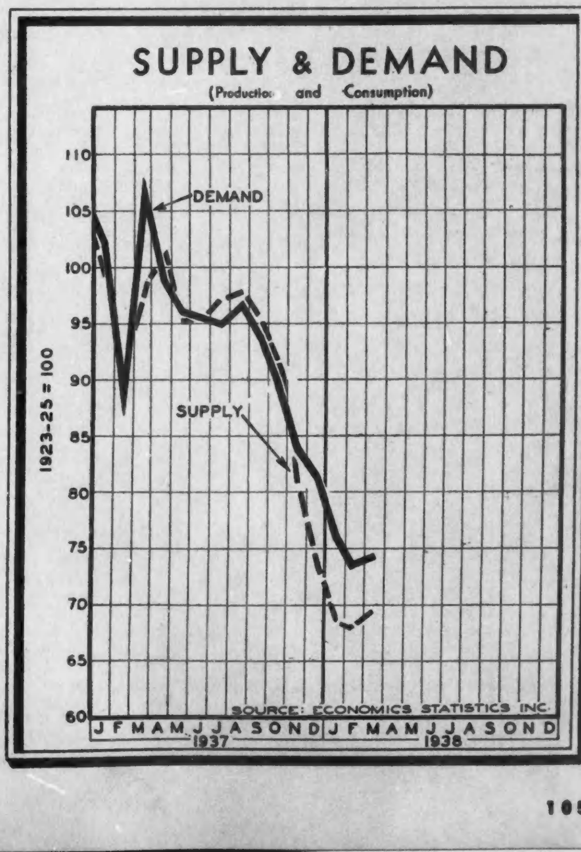

Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (b)				
World	Feb.	93.6	94.3	108.7
U. S. A.	Feb.	71.7	72.6	105.3
Canada	Feb.	90.6	99.6	99.9
United Kingdom	Feb.	117.2	118.3	116.7
France	Feb.	75.6	77.2	81.1
Germany	Feb.	128.4	124.7	115.5
WHOLESALE PRICES (h)	Mar.	79.7	79.8	87.8
COST OF LIVING (d)				
All items	Mar.	86.7	86.7	87.9
Food	Mar.	80.3	80.1	87.2
Housing	Mar.	87.5	87.8	84.2
Clothing	Mar.	75.5	76.0	75.9
Fuel and Light	Mar.	86.2	86.3	86.1
Sundries	Mar.	97.8	97.5	96.4
Purchasing value of dollar	Mar.	115.3	115.3	113.8
NATIONAL INCOME (cm)†	Mar.	$5,168	$4,850	$5,600
CASH FARM INCOME†				
Farm Marketing	Mar.	$512	$456	$596
Including Gov't Payments	.....	572	487	708
Total, First Quarter	1937	1,679	......	1,946
Prices Received by Farmers (ee)	Mar.	96	97	128
Prices Paid by Farmers (ee)	Mar.	126	126	132
Ratio: Prices Received to Prices Paid (ee)	Mar.	76	77	97
FACTORY EMPLOYMENT (f)				
Durable Goods	Mar.	72.5	73.3	96.4
Non-durable goods	Mar.	91.6	91.8	106.1
FACTORY PAYROLLS (f) (not adjusted)	Mar.	73.3	73.2	101.1
RETAIL TRADE				
Department Store Sales (f)	Mar.	86	88	93
Chain Store Sales (g)	Mar.	103.3	106.4	108.6
Variety Store Sales (g)	Mar.	107	111	111.6
Mail Order Sales†	Mar.	$67.3	$51.9	$75.1
RETAIL PRICES (s) as of	April 1	90.6	91.2	94.5
FOREIGN TRADE				
Merchandise Imports†	Mar.	$173.4	$163.0	$307.5
Cumulative year's total† to	Mar. 31	507.0	......	825.6
Exports†	Mar.	275.7	262.7	256.6
Cumulative year's total† to	Mar. 31	827.8	......	712.4
RAILROAD EARNINGS				
Total Operating Revenues★	Feb.	$251,174	$279,259	$321,960
Total Oper. Expenditures★	Feb.	215,487	232,710	244,154
Taxes★	Feb.	27,451	28,813	28,450
Net Rwy. Operating Income★	Feb.	2,136(d)	6,920	38,792
Operating Ratio %	Feb.	85.79%	83.33%	75.83%
Rate of Return %	Feb.	Def.	0.49	2.46
BUILDING Contract Awards (k)				
Total†	Mar.	$226.9	$119.0	$231.2
Residential†	Mar.	79.4	40.0	90.2
Public Works and Utility†	Mar.	59.7	30.5	88.6
Non-Residential†	Mar.	87.8	48.5	52.5
Publicly Financed†	Mar.	94.6	51.1	66.4
Privately Financed†	Mar.	132.3	67.9	164.9
Building Permits (c)				
214 Cities†	Mar.	65.2	47.9	85.2
New York City†	Mar.	11.4	6.1	35.9
Total, U. S.†	Mar.	76.6	54.0	121.1
Engineering Contracts (En)†	Mar.	$259.1	$210.8	$156.8
CONSTRUCTION COST INDEX (En) 1913-100	Mar. 1	243.4	243.4	225.3

PRESENT POSITION AND OUTLOOK

(Continued from page 105)

compilation showing that aggregate **profits** of the first 122 industrials to report for the first quarter were off 47% from a year ago, though the physical volume of **industrial activity** declined only 26%. **Farm income** in March was 19% lower than for the corresponding period of 1937 against a decline of only 14% for the first quarter.

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Secretary of Labor Perkins estimates that unemployment among non-agricultural workers in March was about 2,450,000 greater than at the same time last year; though the increase over February amounted to only 50,000, while **factory payrolls** declined by a mere fraction of 1%. According to latest available data, raw material prices are 29% lower than last year, **wholesale prices** are down 9%, **retail prices** are off 4%, while the **cost of living** has sagged 1.4% despite a 4% advance in **rentals.**

* * *

With the notable exception of Macy, May and Best, few of the **department stores** earned any money during the first quarter; but a sudden increase in sales during the week before Easter brought the turnover up to 8% beyond last year and caused quite an unexpected volume of reorders to be placed with **wholesalers.** A 7% increase in merchandise **exports** during March was more than offset by a 44% drop in **imports;** so that our total foreign trade last month fell 23% below March of 1937.

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While there is no nearby possibility of effecting a reduction in **railroad** wages, not a few roads have been materially benefited by the higher freight rates effective beginning in March, and it is becoming apparent that the Government, through further financial assistance, intends to stave off receiverships until a more lasting solution can be worked out or until industrial recovery comes to the rescue. Meanwhile bumper wheat crops promise to help some of the Western carriers. There is a possibility that the present session of Congress may set up a new department of transportation and communication and pass emergency legislation providing for equipment loans and creating WPA work for railroad employees laid off in the interest of economy.

* * *

Construction contracts awarded during March in 37 states east of the Rockies were only 2% below last year, against a 37% drop in February. **Residential awards** in March, however, declined 12%. Less favorable was the 31% slump from last year in March **building permits** throughout the country, which antecede the actual award of contracts by several months. This compares with a recession of only 2% in permits granted during the entire first quarter. New York savings banks announce that they have $100,000,000 to lend on improved real estate.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	Mar.	2,012	1,703	5,216
Pig Iron Production in tons★	Mar.	1,452	1,298	3,459
Shipments, U. S. Steel in tons★	Mar.	572.2	474.7	1,414.4
AUTOMOBILES				
Production				
U. S. and Canada	Mar.	265,000(pl)	202,872	519,022
Total (3 mos.)	1937	695,616(pl)		1,302,108
Retail Sales				
Passenger Cars, U. S. (p)	Mar.	195,000	121,234	363,735
Trucks, U. S. (p)	Mar.	38,000	27,823	60,301
PAPER (Newsprint)				
Production, U. S. & Canada★ (tons)	Mar.	292.5	264.0	383.7
Shipments, U. S. & Canada★ (tons)	Mar.	248.8	225.4	370.0
Stocks, U. S. & Canada★ (tons)	Mar. 31	214.5	170.9	103.9
LIQUOR (Whisky)				
Production, Gals.★	Mar.	9,879	10,254	20,255
Withdrawn, Gals.★	Mar.	5,656	4,383	5,829
Stocks, Gals.★ as of	Mar. 31	467,419	464,526	408,517
GENERAL				
Machine Tool Orders (f)	Mar.	107.0	75.7	211.6
Railway Equipment Orders				
Locomotive	Mar.	10	17	29
Freight Cars	Mar.	682	109	6,200
Rails (tons)	Mar.	59,025	2,890	......
Cigarette Production†	Mar.	13,728	11,492	12,792
Bituminous Coal Production★ (tons)	Mar.	26,800	27,000	51,315
Boot and Shoe Production Prs.★	Mar.	36,763	30,015	46,120
Portland Cement Shipments★, bbls.	Mar.	7,259	4,575	7,879
COMMERCIAL FAILURES (c)	Mar.	1,088	1,071	820

PRESENT POSITION AND OUTLOOK

Factory sales of **automobiles** in the U. S. during March totaled 222,000 units, a drop of 55% from the corresponding month of 1937, compared with a decline of only 50% for the first quarter. **Truck sales** fell off 47% in March, against a 35% decline for the first quarter. Production lost by recent labor trouble can soon be made up, and meanwhile is helping to reduce field stocks of new cars.

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Although production of spiritous **liquors** declined 38% during the nine months ended March 31, as compared with the corresponding period a year earlier, stocks of all kinds continue to grow. Comparing March 31 with the like date in 1937, whisky stocks increased 15%, rum was up 15%, gin gained 31%, while brandy inventories jumped 35%.

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March **cigarette** deliveries, breaking a long series of declines, advanced 7% over March, 1937; but withdrawals for the entire first quarter were fractionally under the like period a year earlier. Production of **cigars** was under last year for each of the first three months—total decline for the quarter coming to 7%. Production of **smoking** and **chewing tobacco** was off only 2% for the first quarter.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
ELECTRIC POWER OUTPUT				
K.W.H.†	Apr. 23	1,951	1,958	2,188
TRANSPORTATION				
Carloadings, total	Apr. 23	523,767	537,585	756,248
Grain	Apr. 23	32,763	31,215	27,730
Coal and Coke	Apr. 23	79,204	92,135	129,566
Forest Products	Apr. 23	24,162	25,422	36,799
Manufacturing & Miscellaneous	Apr. 23	217,839	219,027	322,682
L. C. L. Mdse	Apr. 23	148,081	150,722	170,021
STEEL PRICES				
Pig Iron $ per ton (m)	Apr. 26	$23.25	$23.25	$23.25
Scrap $ per ton (m)	Apr. 26	11.92	12.25	20.00
Finished c per lb. (m)	Apr. 26	2.605	2.605	2.605
STEEL OPERATIONS				
% of Capacity (m)	Apr. 28	32.0	32.0	92.0
CAPITAL GOODS ACTIVITY (m)	Apr. 23	50.9	50.9	92.3
PETROLEUM				
Average Daily Production bbls.★	Apr. 23	3,440	3,385	3,496
Crude Runs to Stills Avge. bbls.★	Apr. 23	3,150	3,150	3,119
Total Gasoline Stocks bbls.★	Apr. 23	91,479	92,001	80,897
Gas and Fuel Oil Stocks bbls.★	Apr. 23	127,148	125,946	94,429
Crude—Mid-Cont. $ per bbl	Apr. 30	1.27	1.27	1.27
Crude—Pennsylvania $ per bbl	Apr. 30	1.75	1.75	2.20
Gasoline—Refinery $ per gal	Apr. 30	.06½-¾	.06½-¾	.07⅛

PRESENT POSITION AND OUTLOOK

Electric power output, in dropping for the first time during the depression to a level more than 10% below last year, has declined at a greater than normal seasonal rate. The incident should occasion no great concern, however; since it was caused by a temporary fall in demand owing to the closing of several large industrial plants by labor trouble. For the most part, electric power is holding up much better than general business activity. Profits earned by the utility industry during the first quarter were only 13% lower than last year, in the face of a 47% decrease for all industrial corporations

* * *

In trade circles it is believed that the **steel** operating rate may have already reached its seasonal peak, owing to lack of demand from the rails, automobiles, and construction—the industry's chief customers; but hopes are entertained of a fairly brisk upturn during the second half year.

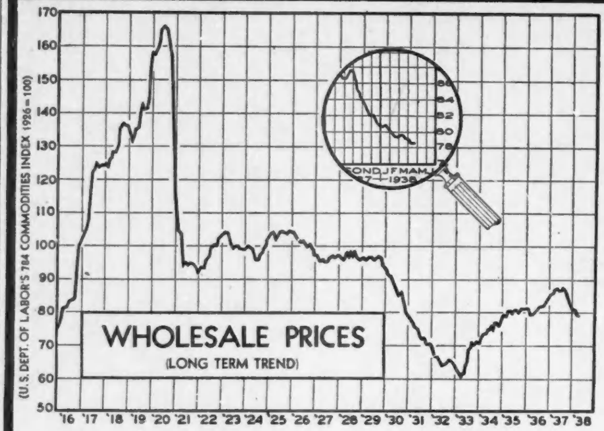
* * *

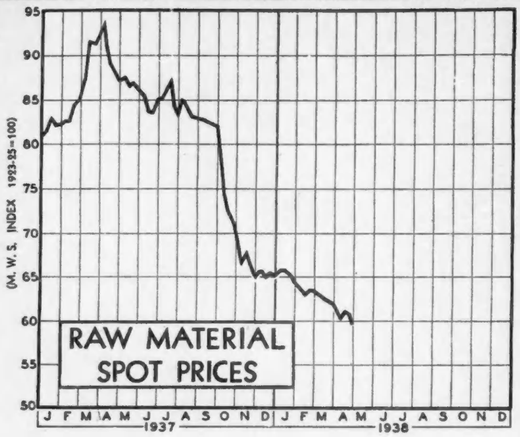
The **oil industry** is still taking too much crude out of the ground and continues to produce too much **gasoline.** Crude inventories are 4% above last year in face of an estimated recession of 4% in demand. Gasoline stocks are up 12%, against an estimated gain of only 3% in consumption.

†—Millions. ★—Thousands. (a)—Estimated. (b)—Annalist Index 1928—100. (c)—Dun & Bradstreet's. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (p)—R. L. Polk & Co.'s Estimate. (pl)—Preliminary. (s)—Fairchild Index, Dec. 1930—100. (w)—Ward's Estimate. (En)—Engineering News Record. (Ry)—Railway Age.

Trend of Commodities

The mid-month rally in commodity prices has failed to hold and over the past week weakness has prevailed, particularly in the grains. Many commodities are now selling close to, or at, their 1938 lows. So far as commodities are concerned the inflationary implications of recent monetary moves on the part of Washington and proposed pump-priming expenditures have proven to be a decided "dud". In some measure the recent downward trend of security prices has been imparted to commodities but the real reasons behind lower prices continue to be rooted in supply-demand factors. Business remains reluctant to depart from a "hand to mouth" buying poilcy. This means, however, that inventories of finished goods continue to be worked off. Primary inventories, on the other hand, continue to mount.





Changes in Major Commodity Price Group for the Forthnight Ended April 23, 1938

Farm Products	69.1	up 1.0	Metals	95.9	no change
Foods	72.2	no change	Building Material	91.0	down 0.2
Hides and Leather	92.6	up 0.1	Chemical	77.3	no change
Textiles	66.7	down 0.3	Housefurnishings	88.7	no change
Fuel and Lighting	77.3	down 0.3			

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Net Change
COTTON				
Price cents per pound, closing				
May	Apr. 30	8.75	8.88	—.13
July	Apr. 30	8.78	8.98	—.20
Spot	Apr. 30	8.78	8.94	—.16
(In bales 000's)				
Visible Supply, World	Apr. 29	8,796	6,294(d)	+1,502
Takings, World, wk. end	Apr. 29	346	257	+89
Total Takings, season to	Apr. 29	14,306	17,844(d)	—3,538
Consumption, U. S.	Mar.	511	428	777(d)
Exports, wk. end	Apr. 29	65.8	78.1	—12.3
Total Exports, season to	Apr. 29	5,080	4,803(d)	+285
Government Crop Est. (final)	1937	18,934	12,398(d)	+6,636
Active Spindles (000's)	Mar.	22,288	24,640(d)	—2,352
WHEAT				
Price $ per bu. Chi. closing				
May	Apr. 30	79¼	83⅝	—4⅜
July	Apr. 30	79	81⅞	—2⅞
Exports bu. (000's) wk. end	Apr. 23	1,187	1,014	+173
Exports bu. (000's) since Jul. 1 to	Apr. 23	103,104	95,839(d)	+7,265
Visible Supply bu. (000's) as of	Apr. 23	42,643	25,839(d)	+19,804
Gov't Crop Est. bu. (000's) winter	Apr. 1	725,707	685,102(d)	+40,605
CORN				
Price cents per bu. Chi. closing				
May	Apr. 30	58⅛	59¼	—1⅛
July	Apr. 30	59⅜	61	—2⅝
Visible Supply bu. (000's) as of	Apr. 23	40,008	6,816(d)	+33,192
Exports, bu. (000's) since July 1	Apr. 23	49,146	7(d)	+49,139
Gov't Crop Est. bu. (000's)	Dec. 17	2,644,995	1,502,089(d)	+1,137,906

PRESENT POSITION AND OUTLOOK

Cotton. Prices have held within a comparatively narrow range. The statistical position of the textile industry has strengthened, reflecting sales in excess of production but the longer range outlook for cotton prices is bearish, so long as prospective supplies promise to exceed potential demand.

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Wheat. The winter wheat crop continues to make excellent progress and it is now believed that the next Government crop estimate based on May 1 conditions will indicate an increase of 25,000,000 bushels over the 725,000,000 bushel crop forecast as of April 1. Assuming a spring wheat crop of 200,000,000 bushels, the current crop may reach 950,000,000 bushels. If this proves to be the case, it will be only the sixth time in the history of the country that the wheat crop has exceeded 900,000,000 bushels. Lower, rather than higher, prices are likely to rule.

* * *

Corn. Sustained export shipments have featured corn. Overseas shipments have totaled 41,800,000 bushels from last October through March. What this has meant to the corn farmer is suggested by the fact that in the same period a year ago more than 42,000,000 bushels of corn were imported. Mounting resentment over corn acreage allotments may force some modification in the AAA program.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Net Change
COPPER				
Price cents per lb.				
Domestic	Apr. 30	10.00	10.00	None
Export c. i. f.	Apr. 30	9.75	9.85	—.10
Refined Prod., Domestic (tons)	Mar.	61,120	59,393	+1,727
Refined Del., Domestic (tons)	Mar.	33,430	27,389	+6,041
Refined Stocks, Domestic (tons)	Mar.	342,780	326,244	+16,536
Refined Prod., World (tons)	Mar.	169,820	161,350	+8,470
Refined Del., World (tons)	Mar.	158,700	137,466	+21,234
Refined Stocks, World (tons)	Mar.	540,250	529,853	+10,397
TIN				
Price cents per lb., N. Y.	Apr. 30	36.40	38.80	—2.40
World Visible Supply†	Mar.	20,039	18,355	+1,684
Straits Shipments†	Mar.	6,630	5,908	+722
U. S. Deliveries†	Mar.	4,555	4,420	+135
U. S. Visible Supply†	Mar. 31	4,458	5,116	—658
LEAD				
Price cents per lb., N. Y.	Apr. 30	4.50	4.50	None
U. S. Production (tons)	Mar.	36,436	34,869	43,818(d)
U. S. Shipments (tons)	Mar.	31,052	30,135	63,425(d)
Stocks (tons) U. S., as of	Mar.	143,511	138,134	137,204(d)
ZINC				
Price cents per lb., St. Louis	Apr. 30	4.15	4.25	—.10
U. S. Production (tons)	Mar.	43,399	41,146	53,202(d)
U. S. Shipments (tons)	Mar.	33,528	21,540	59,635(d)
Stocks (tons) U. S., as of	Mar.	118,009	108,138	18,183(d)
SILK				
Price $ per lb. Japan xx crack	Apr. 30	1.63-1.68	1.65-1.70	—.02
Mill Dels. U. S. (bales), season to	Mar. 31	286,920	372,120(d)	—95,200
Mill Deliveries U. S. (bales)	Mar.	34,884	30,260	39,934(d)
Visible Stocks N. Y. (bales)	Mar. 31	36,326	43,834	41,731(d)
Visible Stocks, World (bales) as of	Mar. 31	134,426	136,934	146,331(d)
RAYON (Yarn)				
Price cents per lb	Apr. 30	54.0	54.0	None
Deliveries (a)	Mar.	456	477	693(d)
All Rayon—Month's Supply	Apr. 1	3.3	3.0	0.1(d)
WOOL				
Price cents per lb. Spot Tops	Apr. 30	81.0	83.0	—.02
HIDES				
Price cents per lb. lgt. Cows (Chic.)	Apr. 30	8.75	8.75	None
Visible Stocks (000's) as of	Feb. 28	15,169	15,407	16,461
No. of Mos. Supply as of	Feb. 28	10.8	12.1	7.7
RUBBER				
Price cents per lb	Apr. 30	11.25	12.75	—1.50
Imports, U. S.†	Mar.	35,967	43,930	52,039(d)
Consumption, U. S.†	Mar.	30,487	23,868	54,064(d)
Stocks U. S., as of	Mar. 31	294,024	288,883	191,928(d)
Tire Production (000's)	Mar.	2,759	2,212	5,915(d)
Tire Shipments (000's)	Mar.	2,878	2,349	5,787(d)
Tire Inventory (000's) as of	Mar.	10,808	10,833	12,448(d)
COFFEE				
Price cents per lb. (c)				
July Delivery	Apr. 30	4.10	4.09	+.01
Imports (bags 000's)	Mar.	1,308	1,284	+24
U. S. Visible Supply (bags 000's)	Apr. 1	1,343	1,347	—3
SUGAR				
Price cents per lb.				
Domestic No. 3 May	Apr. 30	1.87	1.89	—.02
Raw Sugar				
Cuban c. i. f.	Apr. 30	1.92	1.91	+.01
Duty free delivered	Apr. 30	2.82	2.81	+.01
Refined (Immediate Shipment)	Apr. 30	4.65	4.65	None
U. S. Deliveries† (000's)	1st 3 mos. '38	1,218	1,901(d)	—683
U. S. Ref. Stocks†, as of (000's)	Mar. 31	293.6	146.6	+157

PRESENT POSITION AND OUTLOOK

Copper. Foreign demand has been fair, although domestic markets remain listless. No change in prices. To the advantage of the metal's statistical position, it might be noted that a further sizable reduction has occurred in fabricators' stocks. During the first quarter fabricators drew on inventories for one-third of their requirements filling the other two-thirds from current deliveries. The groundwork is being laid for higher copper prices, if and when general business improves.

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Tin. Prices during the past week dropped to a new low for the year on reports that Malayan Government had rejected the proposed tin buffer pool. World consumption of tin in the first two months was 5,100 tons under that of a year ago. Production in the same period was off 1,500 tons.

* * *

Lead. The March increase of 5,377 tons in stocks of refined lead was in line with previous expectations. Although stocks were the largest since February 1937, the increase has been much less than in the case of other leading non-ferrous metals and supplies are currently only about 40 per cent above the depression low. Prices likely to remain firm.

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Zinc. The spurt in zinc buying was short lived and prices have dropped back from 4.25 to 4.15 cents. The latter price is unprofitable and it is hoped that producers may be compelled to cut output. Stocks are already quite unwieldy.

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Silk. Prices have ruled steady. Domestic consumption for April has been estimated at about 7 per cent higher than in March.

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Rayon. Deliveries of rayon woven fabrics to consumers in March were 10 per cent higher than in February. Shipments were about 20 per cent greater than production, indicating a fairly sizable depletion in inventories.

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Wool. Dullness continues to reign in wool manufacturing operations, but the trade holds to the opinion that the decline in prices has about run its course.

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Hides. Indications are that March statistics will disclose a further decline in visible stocks. Wettings were reported to have increased about 3½ per cent in March.

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Rubber. Rubber has been favored by improved news. Manufacturers' stocks of tires and tubes were further reduced in March and shipments were in excess of production. Moreover it is expected that Department of Commerce estimates will also show an encouraging decline in distributors stocks. There is still a possibility that second half quotas will be cut to 50 per cent.

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Coffee. Market has been featureless. Plans are being launched for a concerted effort to expand the consumption of coffee in the United States, as part of Pan-American trade efforts.

* * *

Sugar. Trade continues to press demands upon Secretary Wallace for a reduction in quotas. With consumption lower, this appears to be the only possible near term development likely to lift prices.

(a)—Expressed in % (1923-25—100). (c)—Wholesale Rio No. 7 N. Y. (d)—Year ago. †—Long tons.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	Apr. 30	1¼%	1¼%	1¼%
Prime Commercial Paper	Apr. 30	1%	1%	1%
Call Money	Apr. 30	1%	1%	1%
Re-discount Rate, N. Y.	Apr. 30	1%	1%	1½%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	Apr. 16	2,213	2,086	2,912
Cumulative year's total to	Apr. 16	33,923	......	40,479
Bank Clearings, N. Y.	Apr. 16	2,472	2,799	3,694
Cumulative year's total to	Apr. 16	45,476	......	60,950
F. R. Member Banks				
Loans and Investments	Apr. 20	20,809	20,794	22,268
Commercial, Agr., Ind. Loans	Apr. 20	4,208	4,248	......
Brokers Loans	Apr. 20	624	573	1,269
Invest. in U. S. Gov'ts	Apr. 20	7,977	7,960	8,439
Invest. in Gov't Gtd. Securities	Apr. 20	1,179	1,171	1,178
Other Securities	Apr. 20	3,068	3,096	3,249
Demand Deposits	Apr. 20	14,451	14,425	15,333
Time Deposits	Apr. 20	5,221	5,218	5,146
New York City Member Banks				
Total Loans and Invest.	Apr. 27	7,705	7,681	8,353
Comm'l., Ind. and Agr. Loans	Apr. 27	1,607	1,626	......
Invest. U. S. Gov'ts dir. & gtd	Apr. 27	3,503	3,468	3,511
Demand Deposits	Apr. 27	6,070	6,024	6,324
Time Deposits	Apr. 27	656	656	671
Federal Reserve Banks				
Member Bank Reserve Balance	Apr. 27	7,661	7,547	6,934
Money in Circulation	Apr. 27	6,355	6,361	6,381
Gold Stock	Apr. 27	12,860	12,841	11,782
Treasury Currency	Apr. 27	2,690	2,688	2,741
Treasury Cash	Apr. 27	2,192	2,164	2,956
Excess Reserves	Apr. 27	2,580	2,490	1,640

		Latest Month	Last Month	Year Ago
NEW FINANCING (millions of $)				
Corporate	Mar.	$245.2	$103.0	$383.7
New Capital	Mar.	126.3	40.8	186.7
Refunding	Mar.	118.9	62.2	197.0
Government	Mar.	1,100	251.0	1,435
Refunding	Mar.	801	200.2	1,135
Addition to Debt	Mar.	299	50.5	300

COMMENT

With every likelihood that excess reserves will attain record-breaking proportions in the not distant future, creating available credit greatly in excess of any conceivable demand, any hardening in interest rates appears to be a remote possibility.

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The latest statement of the **Federal Reserve Banks,** reflecting the use of $107,000,000 of desterilized gold by the Treasury, revealed an increase of $90,000,000 in excess reserves bringing the total up to $2,580,000,000, the highest since August 1936. Deposits also rose in the latest week, necessitating some increase in reserves, otherwise an increase of $114,000,000 would have been shown. In its latest monthly review the Federal Reserve Bank of New York predicts that excess reserves will ultimately reach $3,600,000,000, or some $300,000,000 in excess of the previous peak. It is now the policy of the Treasury to refund only $50,000,000 of the $100,000,000 weekly maturities of Treasury bills, utilizing funds derived from desterilized gold to retire the balance. As a result the increase in excess reserves is accelerated by the more rapid disbursement of Treasury balances. To brake a price boom in Government bonds, the Federal Reserve Banks sold $108,000,000 in Government securities in the week ended April 20, and in the latest week $20,578,000 bonds were sold. The most recent statement of **New York City Member Banks** revealed a net increase of $24,000,000 in loans and investments. Loans, however, were off $3,000,000, despite an increase of $20,000,000 in loans to security dealers. Business loans declined $19,000,000. Holdings of Government direct and guaranteed bonds were up $35,000,000, but holdings of other securities were off.

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Financing for the purpose of raising new capital was less than $53,000,000 in the first quarter. In the first quarter a year ago, $86,000,000 of new capital was raised. Strength in the high grade bond market may act to stimulate financing arrangements.

POSITION OF FOREIGN BANKS

	Apr. 27, 1938	Apr. 28, 1937
BANK OF ENGLAND		
Circulation	£489,262,000	£468,816,000
Public Deposits	10,890,000	26,161,000
Other Deposits	149,801,000	127,144,000
Bankers Accounts	113,288,000	87,566,000
Other Accounts	36,513,000	39,578,000
Government Securities	113,996,000	97,730,000
Other Securities	26,444,000	27,436,000
Discount and Advances	7,064,000	5,468,000
Securities	19,380,000	21,968,000
Reserves	37,961,000	45,854,000
Coin and Bullion	327,223,000	314,670,000
BANK OF FRANCE	Apr. 22, 1938	Apr. 23, 1937
Gold Holdings	Fr.55,806,000,000	Fr.57,358,000,000
Credit Balances Abroad	34,000,000	11,000,000
French Commercial Bills Disc.	9,816,000,000	7,822,000,000
Bills Bought Abroad	....	1,113,000,000
Advance Against Securities	3,659,000,000	3,683,000,000
Note Circulation	97,257,000,000	85,169,000,000
Credit Current Accounts	24,190,000,000	18,756,000,000
Temp. Advs. to State	40,133,000,000	19,999,000,000
Gold on Hand to Sight Liabilities	45.95%	55.19%

COMMENT

Rearmament programs are costly and must be paid for. Britons have had this truth rather forcibly impressed upon them during the past fortnight. The budget will be balanced but the citizens will have to tighten their belts several notches. Income tax rate will be boosted from 25% to 27½%, or from $1.25 on every $5 of taxable income to $1.37½. Gasoline will be taxed 18 cents a gallon, an increase of 2 cents a gallon. The tax on tea was increased 4 cents to 16 cents a pound.

* * *

Premier Daladier, beginning May 3, will issue a series of economic decrees. Advance details are lacking but it is expected that they will provide for financial reform and steps to balance the budget; a program for modernization of French industrial equipment; slum clearance; credits to industry and trade; improvement in financing methods; and development of colonial resources. The Government has rejected exchange control, will continue to defend the franc and adhere to the tri-partite monetary control.

POSITION OF FOREIGN BANKS—Continued

GERMAN REICHSBANK	Apr. 23, 1938	Apr. 23, 1937
Gold and Bullion	Rm.70,733,000	Rm.68,210,000
Of Which Deposits Abroad	20,333,000	19,219,000
Reserve in Foreign Currency	5,437,000	5,981,000
Bills of Exchange & Checks	5,067,802,000	4,371,751,000
Investments	417,097,000	429,646,000
Other Assets	1,640,625,000	780,048,000
Notes in Circulation	5,283,200,000	4,389,548,000
Other Daily Matured Obligations	1,318,225,000	763,559,000
Other Liabilities	220,492,000	169,154,000
Proportion of Gold & Foreign Currency to Note Circulation	1.44%	1.69%

Note circulation of the Reichsbank has increased substantially during the past several weeks, suggesting that German currency is rapidly being substituted for Austrian. Business in Germany gained appreciably in the first quarter this year. Gains by heavy industry were particularly noteworthy. Heavy taxes and labor costs, however, are blighting profits.

* * *

BANK OF CANADA	Apr. 27, 1938	Apr. 28, 1937
Reserve Gold, Coin & Bullion	$180,731,000	$191,117,000
Silver Bullion	1,430,000	2,407,000
Reserve in Sterl. & U. S. Dollars	22,492,000	16,146,000
Subsidiary Coin	183,000	222,000
Dom. & Prov. Gov't Short Term Securities	118,398,000	50,242,000
Other Dom. & Prov. Securities	41,421,000	101,686,000
Other Securities	12,271,000	....
Note Circulation	156,595,000	129,480,000
Deposits—Dom. Gov't	15,108,000	25,539,000
Chartered Banks	199,551,000	197,701,000
Res. to Note & Dep. Liabilities	54.58%	59.29%

Although industrial activity in Canada is feeling the drop in export trade, particularly with the United States, our northern neighbor continues to make a better business showing than our own. Agricultural conditions are favorable and heavy industry is being sustained by large railway equipment orders. Airplane manufacturers are hopeful that the proposed visit of British commission will prove fruitful.

FOREIGN EXCHANGE IN DOLLAR TERMS

Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents.

Country and Par	Demand Apr. 28	Demand Year Ago	Cables Apr. 28	Cables Year Ago
Great Britain ($8.2397 a sov.)	4.98¾	4.94⅞	4.98¾	4.94⅞
Belgium (16.9502c a belga)	16.83½	18.75	16.83½	18.75
Czechoslovakia (3.51c a crown)	3.48½	3.49	3.48½	3.49
Denmark (45.374c a krone)	22.27	22.10	22.27	22.10
Finland (4.264c a finmark)	2.21	2.19	2.21	2.19
France (par not definite)	3.07⅜	4.47⅞	3.07⅜	4.47⅞
Germany (40.33c a mark)**	40.22½	40.21½	40.22½	40.21½
Germany (benevolent mark)	22.00	.....	22.00	.....
Germany (travel mark)	24.50	23.75	24.50	23.75
Greece (2.197c a drachma)	0.91⅝	0.91	0.91¾	0.91¼
Holland (par not definite)	55.66	54.84	55.66	54.84
Italy (5.2634c a lira)§	5.26½	5.26½	5.26½	5.26½
Norway (45.374c a krone)	25.06½	24.87	25.06½	24.87
Poland (18.994c a zloty)	18.88	19.00	18.88	19.00
Spain (Burgos peseta)†	10.00	8.35	10.00	8.35
Sweden (45.374c a krona)	25.71	25.50½	25.71	25.50½
Switzerland (par not definite)	23.00½	22.93	23.00½	22.93
Yugoslavia (2.981c a dinar)	2.35	2.33	2.35	2.33
Shanghai dollars (unsettled)	27.63	30.00	27.63	30.00
Hongkong dollars (unsettled)	31.09	30.75	31.09	30.75
India (61.987c a rupee)	37.22	37.36	37.22	37.36
Japan (84.39c a yen)	29.09	28.84	29.09	28.84
Sts. Settlements (96.139c a dollar)	58.18¾	58.12½	58.18¾	58.12½
Argentina (71.87c a paper peso) ¶	26.35	30.45	26.35	30.45
Argentina (71.87c a paper peso)**	33.25	32.95	33.25	32.95
Brazil (20.25c a paper milreis)**	5.90	6.40	5.90	6.40
Chile (20.599c a gold peso)†	5.19	5.19	5.19	5.19
Colombia ($1.645 a gold peso)**	55.40	56.90	55.40	56.90
Mexico peso (unsettled)x	24.75	27.80	24.75	27.80
Peru (47.409c a sol)†	24.25	26.00	24.25	26.00
Uruguay ($1.751 a gold peso) ¶	42.50	55.50	42.50	55.50
Uruguay ($1.751 a gold peso)**†	65.63	78.50	65.63	78.50
Venezuela (32.67c a bolivar) ¶	31.00	31.75	31.00	31.75
Venezuela (32.67c a bolivar)**	31.62½	.....	31.62½	.....
Ecuador (5 sucres a dollar) ¶†	8.00	10.00	8.00	10.00

COMMENT

Weakness has prevailed in most of the principal foreign currencies over the past fortnight. More recently sterling has shown a firmer tendency, while the franc and belga continue soft. Although apparently without any basis, for the present at least, the rumor persists that the franc will be devalued at a level slightly above 2.80 cents. The franc firmed slightly toward the end of last week, following reports that England would extend credits to France for the purpose of furthering her rearmament activities. This would have the effect of relieving pressure on French exchange. Weakness in the franc was transmitted to the belga, on the belief that should the franc be devalued, it would tend to weaken the belga. The fact that the Belgian budget is again unbalanced, due to outlays for defense and rearmament, has added to the fears of devaluation. Gold has been moving out of Belgium in large quantities, as capital has been transferred to other countries.

* * *

There has been a noticeable weakness in the unofficial rates of several South American currencies. Demand for free exchange has led to more restricted allotments on the part of central banks, in an effort to balance supply and demand. Importers are being hard pressed to obtain the necessary exchange with which to pay for merchandise. As a consequence, it has been reported that large quantities of goods are piling up in South American warehouses. Exchange difficulties in South America reflect directly the slump in exports and the decline in the prices of principal export commodities. The situation, therefore, can hardly be expected to show any improvement until there is a reversal in the downward trend of foreign trade.

†—Nominal quotations. ¶—Free rate. **—Official rate. x—Offering rate. §—Travel lira 4.75c.

Security Statistics

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1937 Indexes High	1937 Indexes Low	No. of Issues (1925 Close—100)	1938 Indexes High	1938 Indexes Low	Apr. 16	Apr. 23	Apr. 30
122.0	54.3	330 COMBINED AVERAGE	65.9	44.2	54.9	53.8	50.1
253.3	111.4	5 Agricultural Implements	130.9	95.8	115.1	110.1	101.4
72.6	34.0	6 Amusements	41.4	24.7	31.9	32.1	29.4
146.6	52.1	16 Automobile Accessories	70.6	44.3	56.5	53.8	48.3
30.1	8.9	12 Automobiles	12.4	7.9	9.7	9.1	8.4
178.0	73.4	9 Aviation (1927 Cl.—100)	109.6	75.2	99.8	100.7	96.0
28.5	9.3	3 Baking (1926 Cl.—100)	12.7	8.9	11.0	10.8	10.1
308.6	135.4	3 Business Machines	159.6	120.2	138.5	133.4	127.2
247.7	132.6	9 Chemicals	157.7	113.0	135.0	128.5	120.9
88.3	32.9	18 Construction	39.3	25.6	35.3	34.3	31.4
361.0	193.4	5 Containers	222.5	174.0	199.0	194.1	180.9
217.3	75.3	9 Copper & Brass	102.0	60.0	84.8	78.8	72.0
43.0	24.5	2 Dairy Products	26.0	23.1	24.4	24.0	23.2
42.7	15.2	9 Department Stores	18.7	12.2	16.1	15.7	14.6
108.8	45.2	9 Drugs & Toilet Articles	55.0	40.1	46.2	46.7	46.0
388.4	182.6	2 Finance Companies	219.4	158.1	189.1	182.6	166.5
71.9	37.5	7 Food Brands	44.5	33.3	38.9	40.9	40.1
53.2	25.9	4 Food Stores	30.2	21.5	24.5	23.9	23.3
122.3	46.4	4 Furniture & Floor Covering	57.4	36.9	47.4	45.3	42.4
1160.6	894.0	3 Gold Mining	1204.8	953.7	1059.0	1060.1	1012.0
58.6	25.8	6 Investment Trusts	29.9	21.1	26.6	25.0	24.4
317.8	167.2	4 Liquor (1932 Cl.—100)	194.2	141.8	165.6	158.9	149.0
209.8	97.8	9 Machinery	114.5	77.6	96.4	95.7	86.6
104.3	53.8	2 Mail Order	63.3	49.1	61.2	57.2	53.9
109.6	47.5	4 Meat Packing	55.3	36.5	44.2	43.6	41.2
334.1	138.6	15 Metals, non-Ferrous	177.9	118.8	149.1	148.1	129.0
26.5	7.4	2 Paper	9.7	5.8	8.2	8.0	7.3
158.8	90.8	23 Petroleum	104.3	76.2	96.0	93.5	87.9
114.9	50.5	18 Public Utilities	60.0	38.8	46.5	48.8	44.3
31.7	13.3	4 Radio (1927 Cl.—100)	16.9	10.7	13.8	13.0	12.6
112.9	37.7	9 Railroad Equipment	48.3	28.2	38.1	35.8	32.8
48.6	16.2	23 Railroads	18.6	10.8	13.0	12.7	12.0
28.5	6.9	3 Realty	9.2	4.7	7.3	6.9	6.4
87.6	34.9	3 Shipbuilding	62.6	36.1	48.5	48.7	43.7
165.6	69.6	13 Steel & Iron	85.8	55.8	69.2	66.2	63.6
45.2	21.6	6 Sugar	25.7	18.5	21.0	21.2	19.5
171.2	118.6	2 Sulphur	147.3	118.6	143.7	140.7	133.1
85.3	43.2	3 Telephone & Telegraph	47.8	37.6	45.7	47.2	43.6
91.8	35.3	7 Textiles	42.9	27.9	35.1	34.1	31.9
29.2	10.7	4 Tires & Rubber	14.2	10.3	12.3	11.8	10.9
99.4	68.3	4 Tobacco	75.9	63.8	71.8	70.7	68.0
71.9	20.6	5 Traction	31.2	15.6	20.1	20.2	18.4
346.8	157.7	4 Variety Stores	189.1	146.0	168.0	169.3	162.2
.....	.....	22 Unclassified 1937 Cl.—100)	122.0	84.7	103.4	103.0	96.6

DAILY INDEX OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times—50 Stocks High	N. Y. Times—50 Stocks Low	Sales
Monday, April 18	65.96	118.99	21.65	84.90	82.67	857,160
Tuesday, April 19	65.80	116.34	21.35	82.84	80.82	571,680
Wednesday, April 20	65.55	114.90	21.26	80.66	78.72	777,540
Thursday, April 21	65.80	115.40	21.33	80.95	79.47	595,240
Friday, April 22	66.96	118.52	22.23	84.01	81.00	1,116,200
Saturday, April 23	67.17	117.64	22.07	83.78	82.50	410,950
Monday, April 25	66.94	116.23	22.09	82.00	81.10	395,880
Tuesday, April 26	66.76	113.94	21.83	80.82	79.25	444,730
Wednesday, April 27	67.03	115.25	21.73	81.20	79.93	425,070
Thursday, April 28	66.90	111.98	21.21	80.04	77.99	537,260
Friday, April 29	66.55	111.66	21.21	78.15	76.86	543,820
Saturday, April 30	66.62	111.28	21.26	78.38	77.82	147,770

STOCK MARKET VOLUME

Week Ended April 30	Week Ended April 23	Week Ended April 16
2,494,530	4,328,770	4,409,114
Total Transactions Year to April 30	Same Date 1937	Same Date 1936
78,789,704	194,440,005	220,288,073

COMMENTS

While there was no dearth of news to account for the market's reaction since our last issue, it is interesting to observe from a purely technical viewpoint that the decline in the market as a whole during the fortnight ended April 30 canceled only about 45% of the three weeks' advance between March 26 and April 16. This is within the limit of what might be classed as a simple technical reaction.

* * *

Since market declines are almost always less selective than advances, only a few of the industrial groups which go to make up our Combined Average have stood out during the past fortnight as conspicuously strong or conspicuously weak. It is, however, indicative of the changed attitude toward the Government's latest pump priming proposals that the so-called "inflation stocks" were, for the first time in several months, no stronger than the rest of the market, neither were they weaker than the market.

* * *

Groups which declined less than the Combined Average, and hence which exhibited technical strength, during the fortnight ended April 30 include Aviation, Drugs and Toilet Articles, Food Brands, Gold Mining, Paper, Sulphur, and Tobacco. Four of these seven groups—Aviation, Paper, Sulphur and Tobacco—also exhibited technical strength during the three weeks' advance between March 26 and April 16, for reasons mentioned in our last issue. Of course the Gold Mining stocks have been following their usual tactics in moving counter to the market.

* * *

Strength in the Drugs and Toilet Articles group during the past fortnight is attributable to fractional improvement, against the market, in such low-priced component specialties as Sharp & Dohme, Vadsco Sales, and Zonite Products, and so is without especial economic significance. A similar situation accounted for the technical strength in the Food Brands group, which was attributable largely to a 44% spurt in Loft, Inc. (from 1⅛ to 1⅝) during the fortnight ended April 30.

* * *

Groups that were conspicuously weaker than the Combined Average during the fortnight ended April 30 include Agricultural Implements, Automobile Accessories, Automobiles, Dairy Products, Liquor, and Traction. All of these, except Automobiles and Liquor, were also technically weak during the preceding advance. Automobiles were, of course, hurt by renewed labor trouble; Liquor is still suffering from price cutting and falling sales; while Agricultural Implements reflect fresh weakness in agricultural staples.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

United States Rubber Co.

I have a considerable paper loss in U. S. Rubber. The stock cost me 47⅜ several years ago. The poor outlook for the automobile makers, and the recent "crack" in the rubber markets abroad prompt me to inquire whether or not you believe this equity is worthy of retention.—L. M., Mobile, Ala.

Although U. S. Rubber Co. issues only semi-annual reports, it has, according to officers of the company, operated at or slightly above the break-even point during the initial quarter of the current year, despite sharp declines in many of its lines. The company has further improved its status by: (1) Providing for the creation of new mortgage, (2) retiring the preferred and common stocks held by a subsidiary, (3) by changing the common stock from no par value to a par value of $10 a share and, (4) to authorize issuance of bonds up to a total of $75,000,000, most of which will be utilized to refund existing bonds. The completion of the new financing and the foregoing capital changes will open the way for the resumption of dividends, as and when earnings permit. Unless, however, there is an early and marked change for the better in the outlook for the rubber and tire industry, it is extremely doubtful that favorable dividend action will be taken this year. For the year ended December 31, 1937, the company registered earnings of only $2.21 per common share, against $3.31 per share during the year of 1936. The earnings figure for 1937, however, does not represent the true picture of operations during that year. If profits of the non-consolidated plantation subsidiaries had been included, earnings would have been above those of 1936. Furthermore, the company had to take drastic inventory losses at the close of the year, thus pulling profits down still further. Looking toward the future we can safely say that although 1938 earnings will not compare with those of 1937 there may be some pickup later this year. Not much is expected from the tire division, because of the poor outlook for the automotive industry, but the mechanical division is currently meeting its sales budget. Further benefit should be derived from lower rubber and cotton prices, the company's two principal raw materials. This factor, however, will be offset somewhat by possibly high labor costs and curtailed sales volume and declining rubber prices which will affect profits on both the finished and unfinished inventories. Current market prices for the common issue take these factors into consideration, however, and where the longer term potentialities of United States Rubber are realized, we can definitely counsel retention of these shares as a potentially profitable speculation.

United Aircraft Corp.

Because of United Aircraft's excellent behaviour through the past year, I am wondering if this stock won't go to new highs with a market upturn. Anything you can tell me about its prospects will be greatly appreciated. —H. B., Washington, D. C.

The shares of United Aircraft Corp. present one of the more interesting situations in an industry that has already proven its worth and which is characterized by good potentialities for the future. For the year ended December 31, 1937 the company registered $1.52 per share on its common stock, against 76 cents per share a year earlier. For the initial quarter of 1938 the company recorded profits of 42 cents per common share. This compares with profits of 28 cents per share for the like quarter of 1937. This rate of improvement will undoubtedly continue throughout the current year, due to the excellent demand for the company's products. United Aircraft is one of the larger manufacturers of aircraft and parts for both commercial and military use.

(Please turn to page 117)

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New York Stock Exchange

Rails

	1936		1937		1938		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	4/27/38	Share
Atchison	88½	59	94¾	32⅞	42	22¼	27½	‡2.00
Atlantic Coast Line		21⅝	55½	18	27⅜	14	16½	‡1.50
B								
Baltimore & Ohio	26½	15⅞	40½	8⅛	10⅞	4	5⅝	....
Bangor & Aroostook	49½	39	45	30	34	29	31½	2.50
C								
Canadian Pacific	16	10⅞	17½	6⅞	8⅛	5	6⅜	....
Chesapeake Corp.	100	59	90½	40	48½	27⅛	32¾	3.00
Chesapeake & Ohio	77¾	51	68⅞	31	38½	23⅛	26½	3.00
Chicago Gt. Western Pfd	14⅝	4	18¼	3	5⅜	2⅜	3¼	....
C. M. & St. Paul & Pacific	2⅞	1½	3¼	⅝	1	½	⅝	....
C. M. & St. Paul & Pacific Pfd	5⅞	2⅞	7¼	1⅛	1⅞	¾	1¼	....
Chicago & North Western	4⅞	2½	6⅜	⅞	1¾	¾	⅞	....
Chicago, Rock Is. & Pacific	3	1½	3⅝	¾	1¼	⅝	⅞	....
D								
Delaware & Hudson	54¾	36¾	58⅜	13	17⅞	7½	9¼	....
Delaware, Lack. & West	23⅛	14⅞	24½	5	8½	4	5¾	....
E								
Erie R. R.	18¼	11	23⅝	4¼	6¼	2	2¾	....
G								
Great Northern Pfd.	46⅜	32¼	56¾	20½	26¼	12⅜	15½	....
I								
Illinois Central	29½	18⅝	38	8	12¼	6⅛	8	....
K								
Kansas City Southern	26	13	29	5	9⅜	5⅛	7½	....
L								
Lehigh Valley	22	8½	24⅝	4¼	6¾	3	4⅜	....
Louisville & Nashville	102⅜	57½	99	48½	56½	29⅝	32	†2.50
M								
Mo., Kansas & Texas	9⅝	5½	9¾	2	3⅜	1½	2⅛	....
Mo., Kansas & Texas Pfd., A	33⅜	14½	34⅝	5⅛	11⅛	4¾	6¾	....
Missouri Pacific	4	2⅛	6¼	1¼	2¾	¾	1⅜	....
N								
New York Central	49⅝	27¾	55¼	15⅛	19⅞	10	12⅜	....
N. Y., Chic. & St. Louis	53⅛	17¾	72	14	22½	7	11¼	....
N. Y., N. H. & Hartford	6⅛	3	9¾	2	2¾	1¼	1⅝	....
Norfolk & Western	310½	210	272	180	198	135	150	*10.00
Northern Pacific	36¾	23⅞	36⅝	9⅞	13⅜	6⅜	7¾	....
P								
Pennsylvania	45	28¼	50¼	20	24½	14⅛	16¼	....
R								
Reading	50¾	35½	47	18⅛	22	12⅞	15¼	2.00
S								
St. Louis-San Fran	3⅝	1½	4¾	1	1¼	¾	⅞	....
Southern Pacific	47⅞	23½	65⅜	17	22⅛	9¼	11¾	....
Southern Railway	26½	12¾	43⅜	9	13¾	5½	7½	....
T								
Texas & Pacific	49	28	54¼	15⅝	24½	13	15½	....
U								
Union Pacific	149¾	108½	148¾	80	88½	55⅜	60½	6.00
W								
Western Maryland	12⅛	8⅛	11¾	2⅝	4½	2⅝	3½	....
Western Pacific	4	1⅞	4¾	1	1⅝	½	1	....

Industrials and Miscellaneous

	1936		1937		1938		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	4/27/38	Share
Air Reduction	86½	58	80¼	44½	58¼	40¼	44½	1.00
Alaska Juneau	17½	13	15¾	8	13⅜	8¾	9⅞	.60
Allegheny Steel	40⅜	26⅞	45⅝	13	21⅜	11⅝	16	....
Allied Chemical & Dye	245	157	258½	145	176½	124	143	6.00
Allied Stores	20⅛	6¾	21⅞	6⅛	9⅜	4½	6½	....
Allis Chalmers Mfg	81	35⅜	83½	34	51¾	34¼	41⅛	† .37½
Amerada	125½	75	114⅞	51½	72½	57	62½	2.00
Amer. Agric. Chemical (Del.)	89	49	101½	53½	66	49	56	†1.25
Amer. Bank Note	55½	36	41⅜	10	15⅞	10	13⅜	† .50
Amer. Brake Shoe & Fdy	70¼	40	80¾	28	42½	23½	32	† .25
Amer. Can	137½	110	121	69	91⅞	70¾	87	4.00
Amer. Car & Fdy.	60½	30	71	15¼	27½	12⅝	17¾	....
Amer. & Foreign Power	9¾	6½	13¾	2½	4⅜	2¼	3⅛	....
Amer. Power & Light	14⅜	7½	16½	3	7⅛	3¼	4¾	....
Amer. Radiator & S. S.	27⅜	18¾	29½	9¼	14¼	9	12⅛	.60
Amer. Rolling Mill	37	23¾	45¼	15½	22⅞	13⅛	17	....
Amer. Smelting & Refining	103	56¾	105¾	41	56¾	28⅛	38½	†1.25
Amer. Steel Foundries	64	20½	73¼	22½	34¾	15⅝	21¼	† .25
Amer. Sugar Refining	63⅝	48¼	56⅞	24	31	21½	27⅞	2.00
Amer. Tel. & Tel.	190⅛	149½	187	140	149¾	111	129	9.00
Amer. Tob. B	104	88½	99⅞	58¾	73	58¾	69½	5.00
Amer. Water Works & Elec.	27¾	19⅛	29½	8	13½	6	8⅜	....
Amer. Woolen Pfd.	70¾	52¾	79	25¼	35¾	23⅝	30	....
Anaconda Copper Mining	55⅜	28	69½	24½	36¼	21⅝	28⅜	† .25
Armour Co. of Ill.	7⅜	4⅝	13¾	4⅝	6⅞	3⅞	4¾	....
Atlantic Refining	35⅛	26⅝	37	18	24	17¾	21½	1.00
Aviation Corp. Del.	7¾	4⅝	9¼	2¼	4⅝	2½	3⅞	....
B								
Baldwin Loco. Works	....	....	23¾	5	10¾	5	7⅝	....
Barber Co.	38½	21	43⅜	10⅛	19	12⅛	16	....
Barnsdall Oil	28¼	14⅛	35¼	10	16⅜	10⅛	13⅜	1.00
Beech-Nut Packing	112	85	114¾	90¾	103⅞	94½	100	*4.00

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936 High	1936 Low	1937 High	1937 Low	1938 High	1938 Low	Last Sale 4/27/38	Div'd $ Per Share
B								
Bendix Aviation	32⅜	21⅝	30½	8¼	14⅞	8⅝	11½	....
Best & Co.	72	48	62¾	29	40½	26⅞	31¾	†1.52½
Bethlehem Steel	77¾	45¾	105½	41	67⅝	40	48	....
Black & Decker	34½	28¾	38	13¼	17⅞	9¾	12¾	....
Boeing Airplane	37⅜	16⅞	49¾	16	35½	20¼	27⅞	....
Borden Co	32⅜	25⅝	28	16	19⅝	15⅝	16¼	† .70
Borg Warner	....	....	50⅝	22¾	28½	16½	22	....
Bridgeport Brass	18⅞	12⅛	23¼	7	10⅞	5⅜	7⅝	....
Briggs Mfg.	64⅞	43¼	59⅞	18	26¼	12¾	18½	....
Brooklyn-Manhattan Transit	58¼	40¼	53	7	13⅜	5⅜	7¼	....
Bucyrus Erie	21¾	8⅞	25¼	6½	9¾	5⅞	8	....
Budd Mfg.	15⅞	9⅛	14⅜	2¼	6⅜	3¼	4⅜	....
Byers & Co. (A. M.)	29⅛	16½	33¾	6	11⅜	6	8⅜	....
C								
Calumet & Hecla	16½	6	20⅛	4	10¼	5¼	7⅝	....
Canada Dry Ginger Ale	30¾	10⅜	38¼	9½	19¾	12⅛	14⅞	....
Case, J. I.	186	92½	196¾	80	97½	62½	76½	....
Caterpillar Tractor	91	54¾	100	40	55½	29⅝	41⅞	†1.00
Celanese Corp	32¼	21¾	41¼	13	18⅞	9	14½	....
Cerro de Pasco Copper	74	47¾	86⅜	34¾	46½	26¼	34⅜	†2.00
Chrysler Corp	138¾	85½	135¼	46⅛	63⅛	35⅜	43⅛	....
Climax Molybdenum	....	....	41	24½	43	32½	41½	† .30
Coca-Cola Co	134	84	170½	93¾	125	105½	120	† .50
Columbian Carbon	136½	94	125¾	65	76	53¾	66½	4.00
Colum. Gas & Elec.	23⅜	14	20⅞	4⅝	9⅝	5⅛	6	....
Commercial Credit	84⅞	44	69¼	30⅜	38¾	23	31	4.00
Comm. Inv. Trust	91¾	55	80¼	34	43¾	31½	35⅞	4.00
Commercial Solvents	24⅝	14¼	21¼	5	10	5⅞	7	.60
Commonwealth & Southern	5½	2¼	4⅛	1	2	1	1⅜	....
Consolidated Edison Co.	48⅜	27¼	49⅞	21⅛	25⅞	17	23	†1.00
Consol. Oil	17¼	11½	17⅞	7	10½	7	9	.80
Container Corp	26¼	15¾	37⅜	10¾	16⅜	9⅞	11½	1.20
Continental Baking, A	35⅜	10⅜	37¾	7½	16½	8⅝	12½	....
Continental Can	87¼	63¾	69⅛	37½	45¾	36½	38¼	†1.00
Continental Oil	44⅞	28⅛	49	24	34⅜	21¼	27¼	† .25
Corn Products Refining	82½	63⅝	71¼	50½	65½	53	63¼	3.00
Crane Co.	50½	24	56½	22½	30	19	28	....
Crown Cork & Seal	91½	43⅝	100⅞	28¼	39⅞	22¼	28	† .50
Curtiss-Wright	9¼	4	8⅜	2	5¼	3¼	4¾	....
Curtiss-Wright, A	21⅞	10½	23¾	8⅛	19¼	12⅝	18⅜	....
Cutler-Hammer	....	....	27	18¼	24¼	13¼	19	....
D								
Deere & Co.	....	....	27	19½	25¼	17⅜	19½	....
Distillers Corp. Seagrams	34⅝	18¼	29	10	16	11	13¼	† .50
Dome Mines	61½	41½	57¼	35	60⅜	46¾	53¾	†2.00
Douglas Aircraft	82¼	50⅝	77¼	26½	46¼	31	43¼	....
du Pont de Nemours	84¾	133	180⅛	98	123⅜	90½	99	† .50
E								
Eastman Kodak	185	156	198	144	167	121½	150½	†3.50
Electric Auto Lite	47½	30¾	45½	14⅞	21½	13¼	16¼	† .25
Elec. Power & Light	25⅞	6⅜	26⅝	6⅛	13⅝	6⅛	8¾	....
Endicott Johnson Corp	69	53½	60	33	40⅜	33	35½	3.00
Ex-Cell-O Corp	23⅝	14¼	27⅝	7	13¾	8	12½	† .20
F								
Fairbanks, Morse	71¾	34¾	71⅞	23½	33½	19⅝	26	1.00
Firestone Tire & Rubber	36¼	24⅞	41⅜	16½	25⅛	16¼	18⅝	† .75
First National Stores	58⅝	40	52¼	26½	34⅞	24½	27⅜	†1.25
Foster Wheeler	45⅜	24⅛	54½	11½	20½	11	15¼	....
Freeport Sulphur	35⅝	23½	32¼	18	28	19⅞	26	2.00
G								
General Amer. Transpt	76	42¼	86½	31½	45½	29	35¼	‡3.50
General Baking	20	10¾	19½	5	9	6½	7⅝	† .10
General Electric	55	34½	65⅞	34	45½	27¼	34¼	† .30
General Foods	44	33⅜	44¼	28⅛	33⅝	22⅞	26½	2.00
General Mills	70½	58	65⅞	48	57¼	50¾	54	3.00
General Motors	77	53⅞	70½	28⅝	38¼	25½	31	† .25
General Railway Signal	57	32½	65⅛	17	26¼	12¾	17¾	† .25
Gen. Realty & Utility	4⅞	2	5¾	1	2	1	1¼	....
General Refractories	71	33¼	70¼	18	28	15⅛	21½	....
Glidden	55¼	39½	51½	19⅛	27¼	13	18⅞	....
Goodrich Co. (B. F.)	35½	13⅝	50½	12¾	19¼	10	14¼	....
Goodyear Tire & Rubber	31⅞	21⅝	47⅜	16⅛	24	15⅛	19⅝	† .25
H								
Hecker Products	21⅜	12⅝	15⅞	5⅝	7⅞	5½	6⅝	.30
Hercules Powder	....	....	64	50	58	42¾	45	† .40
Houston Oil	13⅞	6⅜	17⅝	4¾	8⅞	5	6⅞	....
Hudson Bay M. & S	34⅝	22¾	42	15½	28¾	20⅝	27	‡1.75
Hudson Motor Car	22⅝	13½	23¼	4	10	5	6⅝	....
I								
Industrial Rayon	41⅜	25⅝	47½	15	22	14⅜	17	....
Inspiration Copper	24¼	6⅛	33⅛	6¼	15⅜	7⅛	11½	....
Interborough Rapid Transit	18⅞	10⅞	13¾	1½	6¾	2⅞	2½	....
Inter. Business Machines	194	160	189	127½	154¾	130	142¼	*6.00
Inter. Harvester	105½	56⅝	120	53½	70	50¼	59¾	2.50
Inter. Nickel	66⅜	43¼	73⅜	37	52¾	36⅞	47	† .50
Inter. Tel. & Tel.	19¼	11⅛	15⅞	4	8⅞	5½	8	....
J								
Johns-Manville	152	88	155	65½	86	58	67⅛	....
K								
Kennecott Copper	63⅜	28¼	69⅜	28¼	43¼	26⅞	34½	† .25
L								
Lambert	26¾	15⅞	24	10⅛	12⅞	8½	10⅞	....
Lehman Corp	....	....	43½	22¾	28⅜	19⅜	24⅝	1.00
Libbey-Owens-Ford	80¼	47¼	79	33⅝	42	23½	28⅞	† .50
Liggett & Myers Tob., B	116½	97¾	114	83½	102½	81½	92¼	*4.00
Loew's, Inc.	67⅛	43	87⅞	43⅝	52⅞	33	41¾	† .50
Lone Star Cement	61⅞	35½	75¼	31½	40⅛	26	37½	†3.00
Lorillard	26½	21⅛	28⅝	15⅜	18	13¾	15⅞	1.20
M								
Mack Truck	49¼	27⅜	62¼	17⅜	24¾	16	20⅝	1.00
Macy (R. H.)	65¼	40⅛	58¼	25	32⅞	24⅞	29½	2.00
Marshall Field	25⅛	11⅛	30⅞	7¼	9⅞	5½	7⅝	....
Martin (Glenn L.) Co.	....	....	29¼	10	22⅞	14⅛	21½	....
Masonite, Corp	64½	44	74	20	37¼	25	31¼	1.00
Mathieson Alkali	42⅜	27½	41¾	22	27½	19¾	24¼	1.50
McIntyre Porcupine	49⅜	38⅛	42½	30⅛	45⅛	35½	39	2.00
McKeesport Tin Plate	....	....	42½	18½	26⅛	14	16	....
McKesson & Robbins	14¾	8⅝	16¼	5⅜	8¼	5⅜	6⅜	....

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1936		1937		1938		Last	Div'd
	High	Low	High	Low	High	Low	Sale 4/27/38	$ Per Share
M								
Mesta Machine	65	40⅝	72¼	33¾	43½	26¾	30	†2.00
Minn. Honeywell	112	65	120	53	67	46½	60	†1.25
Minn. Moline Power	12⅜	6½	16⅛	4⅜	7¾	4	5⅝	....
Monsanto Chemical	103	79	107½	71	91½	68½	70	2.00
Mont. Ward & Co.	89	35¾	69	30	37½	25	31¾	†1.00
Murray Corp.	22¾	14	20¾	3	7⅝	4	5½	....
N								
Nash Kelvinator	....	....	24⅝	5	12⅛	6¾	8¼	† .12½
National Biscuit	38¾	28¾	33⅜	17	20¾	15½	20⅜	† .80
National Cash Register	32⅝	21½	38⅞	13	18¼	12½	16	† .50
National Dairy Prod	28¼	21	26⅛	12	15¾	11⅞	12⅞	1.20
National Distillers	33⅜	25⅝	35	17	23⅜	17¼	19¼	2.00
National Lead	36½	26⅜	44	18	29¾	17⅛	20½	.50
National Power & Light	14⅞	9⅝	14¾	5	8⅜	5	6⅞	.60
National Steel	78	57¼	99¼	55	62¾	44¾	53⅜	.50
N. Y. Air Brake	83	32½	98½	29	39	20	25½	† .25
Newport Industries	40	9	41¾	10⅛	19¼	9⅞	13¾	....
North American	35½	23⅛	34⅞	14⅛	22	13¾	17⅜	† .30
North Amer. Aviation	14¼	6⅝	17⅜	3	10½	5⅞	9	....
O								
Otis Steel	20¾	12½	24⅜	6⅛	12	6⅜	8⅝	....
Owens-Ill. Glass	....	....	103¾	51¼	66½	40	51	† .50
P								
Pacific Gas & Electric	41	30¾	38	22	28⅛	22¾	25½	2.00
Packard Motor Car	13⅜	6⅞	12⅜	4	5½	3¼	4⅛	....
Paramount Pictures	25	7⅛	28¾	8½	12⅞	5¾	8	....
Penney (J. C.)	112½	69	103¾	57½	73½	55	62	†1.00
Phelps Dodge	56¾	25⅝	59⅞	18½	31⅜	17⅝	23½	† .10
Phillips Petroleum	52⅜	38⅛	64	30⅛	42½	27¼	34	2.00
Procter & Gamble	56	40¼	65½	43¼	50⅝	39½	47¾	2.00
Public Service of N. J.	50½	39	52¾	30⅜	35½	25	28	2.60
Pullman	69⅞	36⅞	72⅛	25½	36⅞	21¾	27	† .37½
Pure Oil	24⅞	16	24⅜	8¾	13½	8½	10⅝	....
R								
Radio Corp. of America	14¼	9¾	12¾	4¾	7¼	4¾	6⅛	....
Radio-Keith-Orpheum	10⅞	5	10⅛	2¼	5⅜	2⅛	2¾	....
Remington Rand	25	17½	29⅛	8⅛	15⅞	9⅝	11⅝	.50
Republic Steel	29⅞	16⅞	47¼	12¼	20¾	11¼	14⅛	....
Reynolds (R. J.) Tob. Cl. B	60½	50	58	40¼	46½	33¾	37½	†1.80
S								
Safeway Stores	49⅝	27	46	18	23⅝	12	15⅝	† .50
Schenley Distillers	55⅞	37¾	51¾	22	27½	16¾	18½	† .50
Sears, Roebuck	101½	59⅝	98⅝	49¾	65⅜	47	58⅛	3.00
Shattuck (F. G.)	19¾	11⅛	17⅝	6½	9⅛	6¾	7⅞	† .10
Shell Union Oil	28¼	14¾	34¾	14⅞	18¼	10	13⅜	....
Socony-Vacuum Corp	17½	12½	23¼	13	16⅜	10¾	13⅜	.50
Sperry Corp	24⅛	15⅞	23¾	10	21⅜	15⅝	19⅞	....
Spiegel, Inc.	....	....	28¾	8⅛	11¾	6¼	7⅝	....
Standard Brands	18⅛	14⅜	16¼	7½	9¼	6⅛	7⅝	† .35
Standard Gas & Electric	9⅞	5⅛	14⅜	2½	5½	2	3¼	....
Standard Oil of Calif	47⅝	35	50	27⅛	33⅞	25⅛	29¼	*1.00
Standard Oil of Ind	48½	32¾	50	26½	35½	24¾	30⅜	1.00
Standard Oil of N. J.	70⅜	51⅛	76	42	54⅛	39¾	47	*1.00
Stewart-Warner	24½	16½	21	5½	11⅜	6¼	7½	....
Stone & Webster	30½	14⅝	33⅝	6½	11¾	5½	8	....
Studebaker	15⅞	9⅛	20	3	7⅛	3½	5⅛	....
Sun Oil	91	70	77½	44½	57⅞	45	49	†1.00
T								
Texas Corp	55¼	28⅞	65⅛	34¾	44⅞	32⅝	38¾	2.00
Texas Gulf Sulphur	44¾	33	44	23¾	34	26	29½	† .50
Texas Pacific Coal & Oil	15¼	7½	16⅝	5⅜	10⅛	7	8¾	.40
Tide Water Assoc. Oil	21¾	14¾	21⅝	13⅛	15½	10⅛	13½	1.00
Timken Detroit Axle	27⅞	12⅛	28⅞	8¾	13⅞	8	10	....
Timken Roller Bearing	74½	56	79	36	48½	31¼	36⅛	† .25
Twentieth Century-Fox	38⅝	22½	40⅞	18½	24	16⅛	21⅞	† .50
U								
Underwood-Elliott-Fisher	102⅜	74⅝	100⅛	46¼	59⅝	41	48½	†1.00
Union Carbide & Carbon	105¼	71⅝	111	61¼	80	57	65¾	†1.60
Union Oil of Cal	28½	20¾	28¼	17½	25⅝	17⅛	19⅝	1.20
United Aircraft	32⅜	20⅝	35⅛	10¾	27⅜	19½	26⅝	....
United Carbon	96¾	68	91	36¾	49⅝	39	41⅞	4.00
United Corp	9¼	5⅜	8½	2	3¾	2	2⅝	....
United Fruit	87	66½	86¾	52	65½	50	61	3.00
United Gas Imp	19½	14⅛	17	9	11⅜	8¾	9⅝	1.00
U. S. Gypsum	125¼	80½	137	53	74¼	55	72	2.00
U. S. Industrial Alcohol	59	31¼	43⅝	16⅛	23¾	13½	17	....
U. S. Pipe & Fdy	63⅞	21½	72¼	24	32	21½	29½	2.00
U. S. Rubber	49⅜	16⅜	72⅜	20	35½	21	27⅛	....
U. S. Smelting, Ref. & Mining	103¾	72¼	105	52½	71	44¾	55⅛	†2.00
U. S. Steel	79⅞	46⅜	126½	48½	62⅛	38	44¾	....
U. S. Steel Pfd	154¾	115½	150	100¼	114½	95	98½a	7.00
Utilities Pw. & Lt., A	7	3⅛	4⅞	¾	1¼	½	⅞	....
V								
Vanadium	30⅝	16¼	39⅜	9¼	20⅜	11½	15⅝	....
W								
Walworth Co.	12⅜	5½	18¾	3¼	8½	4½	7	....
Warner Brothers Pictures	18⅜	9¼	18	4¾	7¾	3¾	5⅛	....
Western Union Tel.	96⅛	72⅛	83½	22⅛	28¼	16½	22½	....
Westinghouse Air Brake	50⅞	34¾	57¾	17¾	27½	15¾	21⅜	1.00
Westinghouse Elec. & Mfg.	153½	94½	167⅝	87⅛	109⅞	61¾	75⅜	†1.00
Wilson & Co.	11	6⅝	12¼	4⅝	5¾	3	4⅛	....
Woolworth	71	44¾	65⅜	34	43⅞	36	42	2.40
Worthington Pump & Mach	36¾	23⅛	47	12	20	11¼	15¼	...
Y								
Yellow Tr. & Coach	23¼	8¾	37⅜	7½	15⅛	8⅜	11⅞	....
Youngstown Sh. & Tube	87¾	41¾	101⅞	34⅛	43¾	24	31¾	....
Z								
Zenith Radio	42⅜	11⅛	43¾	11⅞	17½	9	11⅝	....

*—Not including extras. ‡—Paid last year. †—Paid this year. a—Ex-div.

Answers to Inquiries

(*Continued from page* 113)

The majority of the company's contracts are with the government, whom it supplies with equipment that is accepted as practically standard parts for all of the recent aircraft purchased by the United States Army and Navy. Unfilled orders on the company's books at the beginning of the year amounted to $25,000,000, or sufficient to assure near capacity operations through 1938. Another interesting factor which will undoubtedly help future earnings is the large decline in development costs as sales volume rises. In view of these factors, it is not overly optimistic to expect that 1938 earnings will exceed those of 1937. As of December 31, 1936, the company had no bonds or bank loans outstanding, and enjoyed a strong financial position, total current assets being compared to total current liabilities on the ratio of approximately six to one. Only 2,531,295 shares of capital stock are outstanding. This has enabled satisfactory disbursements in the way of dividends. Although $1.00 per share was paid during 1937, we are inclined to believe that the return during 1938 will be greater, in line with prospective higher earnings. While only about 20% of volume sales goes to commercial and foreign absorbers (government contracts accounted for about 60% during 1937), better demand should be realized from this source, thus swelling earnings still further. The potentialities prevalent in the shares of United Aircraft are such that retention would appear to promise important price appreciation after a reasonable period.

International Agricultural Corp.

Would you care to comment on International Agricultural, of which I hold 200 shares bought at 3⅛? Should it do well this year? I am told s sales are up.—A. W. G., Dallas, Texas.

International Agricultural Corp. derives the largest part of its revenues from distribution of fertilizer, largely for use in cotton, tobacco, potato, cereal and miscellaneous crops. About 70% of sales are concentrated in the cotton and tobacco raising areas. Despite a reduction in planted cotton acreage, sales of fertilizer have held up fairly well in the South, although aggregating about 9% under a year ago. Farm income will probably be less this year, although more intensive planting may prevent a more serious decline in fertilizer sales. The trend, however, is down.

Due to the wide fluctuation in demand and the highly competitive price situation, the earnings of International Agricultural have been characterized by irregularity. For the fiscal year ended June 30, 1937 (latest report available) the company was only able to show 16 cents per share on the common stock. Continued poor demand for the company's products and the narrow profit margins prevalent in the phosphate rock division, indicate that they will not be able to record as good a showing for the fiscal year ending June 30, 1938. The common stock is rendered still more speculative by the large arrears ($68.75 per share as of March 1, 1938) on the 100,000 shares of cumulative preferred stock. No dividends have ever been paid on the common issue and it is doubtful if they will be instigated at any time during the near future. All in all, we must look upon the common shares of International Agricultural Corp. as highly speculative and retention of the shares can be advocated only where the high degree of risk is realized.

American Locomotive Co.

On one hand, I understand the locomotive builders plan to lease equipment to railroads. On the other, I read the Government plans loans to the roads to permit such purchases. Do you believe this talk is adequately discounted in current prices? Would you continue to hold shares bought at 13½?—V. R. S., Chicago, Ill.

The dependence of American Locomotive Co. on the railroad industry has been alleviated somewhat by the growing importance of the operations of its subsidiary companies. The more important of these is the Alco Products subsidiary, which has become an important factor in the oil refining equipment business. This diversification of activities aids earnings substantially in periods such as we are currently experiencing. The

main revenues of American Locomotive are still derived from the railroad industry and until such a time as when the purchasing power of roads increases, profits will probably remain depressed. Under normal conditions, American Locomotive has shown ample earnings on its common issue, although since 1930 losses have been registered in each year through 1936. These deficit operations were removed during 1937, however, and $4.75 per share was registered in earnings on the common stock. With little, if any, hope for any legislation which will help the railroads this session of Congress we are inclined to take a rather pessimistic view toward first half-year earnings of the company and believe that they will be substantially below the $1.11 reported during the initial half of 1937. The common issue is still quite definitely removed from dividend participation by the large arrearages on the preferred stock. As of March 31, 1938 arrears on the 351,961 shares of 7% preferred (par $100) amounted to $28.50. Given any improvement in the rail situation as a whole, plus continued growth in subsidiary operations, these arrears should not prove any permanent problem. We cannot help but believe, however, that the present prices of the shares of American Locomotive have fully discounted the adverse factors prevalent. Although, it is necessary to concede certain speculative qualities to the shares of American Locomotive the stock may be retained where the risk is realized and where the stockholder is willing to exercise patience. The stock may be retained.

Glidden Co.

I am holding Glidden common, purchased at 47⅜ in 1936. As a new reader, I will appreciate your opinion of its appreciation and income possibilities over the near and longer term.—T. O. G., Cleveland, Ohio.

The decline in general business activity has undoubtedly adversely affected earnings of Glidden during the current fiscal term, although no figures are available to substantiate this other than the failure of directors to declare a common dividend in March. Nevertheless, the stability of the company's food business should be able to bolster earnings somewhat and mitigate the decline in the paint and chemical divisions. For the fiscal year ended October 31, 1937 Glidden Co. reported a net income of $2,542,793 or equal to $2.62 per share of capital stock. This compares with a net profit of $3,085,469 or $3.29 per common share sustained a year earlier. The reason for this sharp decline in earnings of the company is to be found in the necessity for effecting large inventory write offs. While the efforts of the Federal Government to stimulate home building and construction will probably prove productive over the longer term, we do not believe they will have any considerable effect upon near term profits of Glidden. The paint and varnish division of the company will have to wait a more apparent uptrend in construction activity before profits equal to previous periods can be shown. Financial status of the company has always been strong and at the close of the last fiscal year total current assets were $17,938,327 compared with total current liabilities of $5,983,088. The shares, while not the most suitable type of holding under present conditions, appear to be selling at levels where retention might be advisable, at least as a temporary measure.

American Can Co.

I am much encouraged by the recent market action of American Can. I am wondering though, if in the face of no improvement in business, its gains can be held—and increased?—A. F. N., New York, N. Y.

It is estimated that current earnings of American Can are at a comparable level with those of 1937, even in the face of a 5% decline in volume sales during the initial two months of the current year. This may be attributed to the wider profit margins resulting from increased prices placed in effect late last year. For the year ended December 31, 1937 American Can's earnings were $6.08 per common share, against $5.83 a year earlier. If the large stock of tinplate now on hand holds out until a better demand is experienced, the company should be able to register full 1938 earnings equal to those of 1937, at least. Satisfactory profits, such as these, have enabled the company to maintain a liberal dividend policy. During the year of 1937 a total of $4.00 per share was paid in the way of dividends. This liberal yield has been characteristic of the company over a long period of years. Even in the worst depression years, the $4.00 dividend rate was maintained and we see that during the worst of these years, 1932, the company only earned $3.26 per share but still paid the regular rate. A traditionally strong financial position, coupled with the satisfactory outlook for earnings, gives assurance of the company's ability to continue this rate.

The company has always been aggressive in developing and marketing new products, the latest being fibre containers, used principally for the distribution of milk. Experiments are currently being carried on to develop a suitable tin container for carbonated beverages, a field which unquestionably has important potentialities.

The strong market action of American Can Co. common stock seems to indicate that the present price has discounted fully any adverse factors which might develop. It is entirely possible, and highly probable, that commitments in these shares will prove profitable to the holder over the longer term. Retention is deemed advisable, both on an income and price appreciation basis.

Lee Rubber & Tire Co.

Please advise me, a new subscriber, of your attitude toward Lee Rubber & Tire. I have 200 shares bought around 18, and in view of its decline in the past several months, I would like to know something about my prospects. —N. L., Chicago, Illinois.

Lee Rubber & Tire Corp. derives its business almost exclusively from the replacement field, and as a result the company has not been affected by the decline in demand for original equipment tires, which has resulted from the sharp decline in automobile production this year. During recent years the mechanical goods division of the company has continued to grow and now accounts for about one-third of Lee Rubber's total sales volume. This added diversification has enabled the company to record profits on a more stable plane than most companies in the tire and rubber industry. For the fiscal year ended October 31, 1937 the company recorded profits of $2.32 per share on its capital stock, or slightly better than the $2.20 per share registered during the preceding fiscal year. According to the president of the company, profits of Lee Rubber during

the initial two months of the current year were slightly larger than the $148,000 net income recorded during the initial two months of the preceding fiscal year. Of course, it is to be expected that this rate will not continue due to adverse conditions in the rubber market and probable declines in demand. During 1937 the company paid $1.60 per share on its 257,465 shares of capital stock ($5 par), the sole capitalization of the company. No funded debt is outstanding. Given any improvement in the general business picture Lee Rubber should be able to participate fully in the way of increased earnings. Under these circumstances, while the shares do have a speculative risk attached to them, we counsel retention over the longer term.

Warner Bros. Pictures, Inc.

Do you agree with me that Warner Bros. is in line for a nice advance once the market turns about? Last year and the year before this stock touched 18.—E. T., San Francisco, Calif.

Several factors of a restrictive nature seem to cloud the future outlook of Warner Bros., and indicate that any betterment in the shares marketwise will be of definitely long range calibre. First of these, and most important, is the continued decline being registered in consumer purchasing power. This is reflected in declining box office intake, and has already had its effect upon 1938 fiscal year earnings. The industry is also burdened with heavy costs, the reduction of which is necessarily a slow process. For the quarter ended February 10, 1938, it is estimated that earnings would be in the neighborhood of $1,300,000. This would compare with actual earnings of $1,192,453 or 51 cents per common share earned in the initial quarter of the 1937 fiscal year. It must be remembered that during 1937 the companies situated in this industry enjoyed the best year that they have had since the record year of 1929. For the fiscal year ended August 28, 1937 a net profit of $1.48 per share was shown, which represents the largest profit since 1930. The retraction already recorded in earnings (for the thirteen weeks ended November 27, 1937, earnings were 42 cents per common share against 52 cents a year earlier) indicates that 1938 earnings will be substantially below those of 1937. Thus it is doubtful if the stock will have as good action marketwise as it has enjoyed in the past. A further restrictive factor to be found is the large arrears which are outstanding on the preferred issue. As of March 1, 1938 these arrears amounted to $23.10 per share. Naturally, this prohibits any possible disbursements on the common in the way of dividends. Until a reversal in business activity takes place, we must of necessity, give a speculative rating to the common shares of Warner Bros.

Revolt Against New Deal Brightens Business Prospects

(Continued from page 79)

on their future allegiances, they have advanced the idea of a third party in 1940. Under such circumstances, it is conceivable that a Republican middle-of-the-roader might steal into the White House in a squeeze play.

Thus the New Deal, like the one-hoss shay, seems to be falling apart before the eyes of the carpenters because they reached out indiscriminately for any kind of labor or material in the making of it. And the old-fashioned, horse-and-buggy fellows who never did like the new-fangled vehicle, even though it rode them to two sweepstakes, are hastening its destruction. They aim to fire the driver before the start of the next race.

Meanwhile, the dark prospect has had a definite effect upon the President and Congress so far as new and old policies are concerned. Mr. Roosevelt is mad clear through, personally and politically, over the rebuffs he has suffered on judicial and government reorganization, on the undistributed profits and capital gains levies, on his grandiose water-power schemes. But whether he will swing far to the Left in the intervening years before 1940, as his radical advisers urge, or drift along, cannot be fathomed. The former course seems more probable if you want to bet on such a politically unknown quantity.

He may, as another Roosevelt did in 1912, line up with the Progressives in a third-party move, although every practical politician discounts that likelihood because formation of

NEW YORK CURB EXCHANGE

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1938 Price Range High	1938 Price Range Low	Recent Price
Alum. Co. of Amer.	90	58	72
Amer. Cyanamid B (.60)	26⅝	15½	18
Amer. Gas & Elec. (1.40)	28	19½	25⅛
Amer. Lt. & Tr. (1.20)	14⅜	10	12
Amer. Superpower	1⅛	½	¾
Assoc. Gas & Elec. "A"	1⅜	⅝	1
Ark. Nat. Gas "A"	4⅞	2¼	3
Carrier Corp.	32	17⅝	22
Cities Service (new)	10¼	10⅛	10⅛
Cities Service Pfd.	41½	21½	39½
Colum. Oil & Gas	4⅝	2⅜	3⅛
Consol. Copper (†.12½)	6⅜	3½	4⅝
Consol. Gas Balt. (3.60)	70	55	64½
Creole Petroleum (*.50)	27½	17½	21¼
Eagle Picher Lead (†.10)	13¼	7	9⅛
Elec. Bond & Share	10⅛	4½	6¼
Elec. Bond & Share Pfd. (6)	58	42	47½
Ford Mot. of Can. "A" (1)	18⅞	14⅝	16¼
Glen Alden Coal (†.12½)	6⅝	4¾	5⅛
Gulf Oil of Pa. (†.25)	42⅞	33	36¼
Hecla Mining (†.10)	10¾	6¼	7⅝
Humble Oil (†.37½)	70	56	67⅛
Imperial Oil (*.50)	19	15¾	17⅜
Jones & Laughlin	43½	21	26¼
Lake Shore Mines (4)	58½	45½	51¾
Lockhead Air	10½	5⅝	8¼
Molybdenum (1)	6⅛	3½	4⅞
National Bellas Hess	1	⅝	11/16
New Jersey Zinc (†1.00)	72½	45½	52½
Newmont Mining (†.50)	72	42	52½
Niagara Hudson Power	8½	5⅛	6⅝
Niles-Bement-Pond (†.50)	38½	24¼	31
No. Am. Rayon "A"	24	12½	18⅛
Pan-Amer. Airways (†.50)	19⅝	12½	14½
Pentepec Oil	7⅜	4⅛	5
Pennroad Corp.	2¾	1⅝	1¾
Pepperel Mfg.	77	54¾	65
Pitts. Pl. Glass (†.25)	90	55	71¾
St. Regis Paper	4⅛	2⅛	3
Sherwin-Williams (†1.50)	95	66	84
South Penn Oil (*1.50)	39	28¾	33½
Technicolor	21½	14¼	19
United Gas Corp.	5¼	2¾	3½
United Lt. & Pw. "A"	3⅜	1½	2¼
United Lt. & Pwr. Cv. Pf.	26⅝	13½	18½
Wright Hargreaves (*.40)	8⅜	6⅜	7½

† Paid this year.
* Not including extras.
‡ Paid last year.

an independent, national organization in two years is almost impossible under existing state election laws. Yet he may turn in desperation to such a guerilla undertaking if the Garners and Farleys and Hagues and Harrisons force the nomination of a Democratic conservative two years hence on a platform repudiating New Deal essentials.

For the moment, however, Mr. Roosevelt has turned his attention to his $4,512,000,000 "recovery drive," and it is in the light of that distraction that his immediate reaction must be judged. It represents, chiefly, an effort to recover prestige lost in Congressional conflicts, and to convince the people that his heart still beats for them alone. Otherwise, it is only a gesture. However distasteful it may be to financial and business interests, however dangerous they may regard the assumption that a hypodermic can produce a healthy nation, it proposes no fresh or radical experimentation.

Indeed, it does not represent the grand assault on the depression that was advertised so sensationally by White House publicists. Since there were plenty of bank funds for worthy borrowers before desterilization and the increase in reserves, that move amounts to nothing more than a psychological pinprick. Harry Hopkins' W P A appropriation has been boosted, but unemployment had made that step inevitable long ago. The fact is that the only fresh money to be poured into public or private channels consists of the $1,500,000,000 for P W A projects. It is extremely doubtful if that sum can be put to work in less than nine months, and if conditions have improved in that period, the building venture may be halted again as it was last August.

What many people miss is that Mr. Roosevelt, however reluctantly and grudgingly, does respond to the warnings of the Vice-President. The evidence is inescapable. Ever since the V.P. belabored White House tolerance of sit-down strikes, the relationship between the President and the C. I. O. boss has grown steadily worse. Mr. Garner's insistence that the "cattle" be fed was accompanied by the Chief Executive's latest gesture for a rapprochement with the "economic royalists," with Henry Ford first on the list to cross the exalted threshold.

There has also been a curious repercussion on Capitol Hill, though not an unnatural one. The cooler heads are beginning to suffer some remorse over their persistent defiance of the party leader. They are cautioning younger bloods to slip their swords into their scabbards. They hesitate to discredit the President so completely that they will wreck individual and collective chances for victory next fall and in 1940. They want to make a few friendly passes, if only for the looks of things—and if he will let them.

This belated concern over political consequences has improved the outlook for Mr. Roosevelt's sketchy, last-minute, legislative program. The pump-priming measure will be enacted in some form, though safeguarded with all the "ifs" and "buts" the suspicious can concoct. Mr. Roosevelt can have some of his railroad palliatives (new loans and the reorganization court) if he wants them badly enough at this session. He may affix his signature to some sort of an innocuous wage-and-hour measure. There is no hope for legislation on monopolies or tax-exempt securities and salaries.

These reconciliatory hints, however, serve only to magnify the breach between the White House and Congress, between the President and his party, between the New Deal and a worried, increasingly distrustful public. For they are motivated by the very selfish, practical, political consideration which a Democratic patriarch uttered at an informal caucus of the rebels. It was this:

"Boys, how can we write a pointing-with-pride platform in 1940 when we have been kicking our President around for more than two years?"

The answer is that they can't—and probably won't.

Recovery Without Inflation

(*Continued from page 77*)

prior to 1929. During these five years expansion of enterprise financed by expenditure of retained corporate earnings was far smaller than in any equal period in modern times. With respect to these three processes, vital to a capitalist recovery, the plain fact is that we had no recovery. We had merely the temporary, wasteful and inadequately effective substitute of Government credit expansion.

All of the meat in this can be boiled down into one sentence. The vast majority of business men and of investors do not trust the Roosevelt Administration. It is academic to debate the right or the wrong of this. The fact is indisputable, and in five years it has taken very deep root. As long as it remains the fact we cannot have a normal recovery because business men and investors who lack confidence in the ruling political regime will not assume normal investment risks.

There is scant reason to believe that Mr. Roosevelt will—or even can—so change his policies and himself as to reestablish business and investment confidence in his Administration. The alternative hope—which, fortunately, appears to have increasingly firm foundation—is that the United States Government from now on will be less and less Mr. Roosevelt and more and more a recovery-minded Congress. This shift in the center of political gravity has already gone a distance that would have been unbelievable a year ago and—in combination with apparent assurance that the worst features of the undistributed earnings and capital gains taxes are to be eliminated—is by far the brightest element in the underlying business picture.

It seems probable from the present perspective that, both in the trend of events during the remainder of this session of Congress and in the results of the Democratic primaries in coming weeks, the political tide will continue to move in the direction desired by business and finance. If so, there should be a gradual revival of investment confidence, possibly crystallized into a decisive change of psychology by some dramatic political event, whether in primary election or November Congressional election.

In substitute for New Deal inflation and managed economy, a rampant private credit inflation is not essential to a great recovery. *Existing bank deposits* are enough to finance a 1929 per capita business volume. All that is lacking is the profit-confidence required to put this bank money into normal circulation. We do not need credit expansion for purchase of existing securities. We do not need—because of growth of

the financial resources of business itself—a volume of business loans as large as that of the '20's. We could make out very well with an annual volume of new corporate capital financing equal to that of say, 1922-1923—plus normal reinvestment of corporate savings which, in the past, financed more business expansion than did the capital markets.

Yes, it is *possible* to have a recovery without excess of inflation either governmental or private. Whether and when we *will* have it awaits events yet to be unfolded.

Among business men and economists the consensus of opinion is that not much, if any, recovery can be expected before autumn, but that at least a start on recovery at that time is probable—perhaps quite a brisk start. To some extent the wish may be father to the thought. In a depression setting hope naturally turns to spring or fall. Last winter eyes turned optimistically to the present spring; now to autumn. Fortunately, there is more than a psychological basis for autumn hopes. The intervening weeks will see further progress in adjustment of inventories and operating costs. Autumn will bring—by all present signs—abundant harvests. It will see the vitally important motor industry swing into a new production year, giving a lift to steel and numerous other industries. It will probably find the Administration's pump priming beginning to show some tangible results. Finally, the political air will be greatly clarified not later than the first week of November and possibly sooner.

As for the New Deal inflation now projected, it will amount to very little this year for two reasons. First, until final income tax installment next December, Federal revenues will reflect the business volume of 1937, which, despite the abrupt drop in the fourth quarter, was the peak year of the Roosevelt recovery. Second, aside from relief spending which will merely continue at the present rate, the projected pump priming and lending activities cannot be expected to result in much spending before the latter part of the year. Indeed, far more of this spending will fall in 1939 than in 1938 and it will coincide with a sharp decline in Federal income tax revenues, reflecting this year's poor business.

Thus, the New Deal budget—which is the heart of our inflation problem—will remain pretty close to a cash balance for the rest of the present fiscal year, ending June 30, will show a gradually rising deficit during the second half of this year and will run into a whale of a deficit in the first half of 1939. Once more the fallacy of Federal pump priming will have been proven. The theory has a certain plausibility—but the timing in practice is invariably bad. Pump priming expenditures are put into effect too late and are continued too long. It was so in the first New Deal experiment with this method and will be so in the present instance. There is a better than even chance that we will be on our way in a privately financed recovery before Mr. Roosevelt's present program does much good or harm—that is, if the November election goes the way most political prophets are now predicting.

Air Reduction Co.

(Continued from page 101)

knowing even the nature of the business, the income statements and the successive balance sheets would certify to the ability and the far-sightedness of those in charge.

On the other hand, a good part of the progress must be credited directly to the nature of the business. Competition in the main field has been limited to that with Union Carbide, for the simple and practical reason that it would require a very large amount of capital to set up the hundreds of small factories and warehouses which would be needed. Capital of this size is unlikely to be attracted in the future, realizing that the price cuts which would probably follow the entrance of new competition would bar any immediate profits.

The management has been fortunate, also, in the matter of inventory problems. The comparatively unimportant quantities of raw materials which must be purchased are contracted for on a conservative basis, rarely more than six months in advance. Close to two-thirds of the inventory figure on the most recent balance sheet—$3,037,852—consisted of finished goods, leaving less than $1,000,000 representing materials and supplies. Total inventory compared to sales volume indicates that it was turned over once in every thirty-six days last year.

Large consumers of oxygen and acetylene are naturally able to buy the gases at quantity rates. Their purchases, however, since they are mainly the "heavy" industries, fluctuate far more widely than those of the smaller consumers. The result is that when sales work up to very high levels, the average prices received tend to move in the opposite direction. Conversely, lower sales volume is likely to mean a larger proportion of relatively high-priced business on the books. This has undoubtedly been a contributing factor to the stability of operating ratios, and has played its part in carrying the company through business slumps without red figures.

The drop in earnings shown in the last quarter of 1937 and the first of this year reflects the severe contraction of buying on the part of large customers. Sales were 29% lower in the March quarter than a year ago, while profits of 31 cents per share were 60% lower. The company is adjusting itself to the smaller volume through cuts in payroll and the average price of products sold has risen about 6½%, but profits cannot be expected to do much better than hold at current levels until the important heavy industries show some disposition to expand their requirements.

Meanwhile, research for new uses is continuing, with $237,000 spent for that purpose in 1937. The shipbuilding industry, aided by the Government's Navy building program, should continue or enlarge its use of electric welding equipment. Pipe welding is also a growing factor, and although orders are smaller at present the company has more customers of this type than ever before. The president is optimistic in regard to the use of industrial gases in the steel mills, feeling that their use in billet scarfing and flame hardening will show tremendous growth when steel operations pick up.

It has been logically pointed out that Air Reduction's sales are an excellent thermometer of activity in the metal working trades, but a poor barometer. In other words, the forecasting quality is absent and volume accompanies but does not precede changes in the pace of industry. Until such a change, then, the company must be satisfied to hold its own, living up to its record in previous depressions.

A strong balance sheet, showing over $15,000,000 net working capital at the year-end, will help in the achievement of this objective. Dividends may very likely be reduced, perhaps by elimination of the extras usually paid in addition to the regular 25c quarterly rate. Any return of general industrial activity, however, will be accompanied by a quick recovery in Air Reduction's earnings, and there are good grounds for believing that the record set last year will not prove to be the ultimate one.

How to Improve Your Security Position

(*Continued from page* 104)

$2.40 a share annually has been paid for the past six years. Inasmuch as this rate may be regarded as conservative both in relation to the company's earnings and excellent financial condition, there appears to be no reason to question the maintenance of the same rate throughout the current year.

Selling around 40-42 the shares yield in the neighborhood of 6%, a return which is unusually liberal under present conditions. All in all, the shares qualify as an investment medium for assured income and satisfactory price appreciation, with the benefit of improved market conditions.

National Malleable & Steel Castings Co.

National Malleable & Steel Castings Co. manufactures car couplers and parts, side-frames and bolsters, journal boxes and lids, draft gears and many small miscellaneous items used by the country's railroads. Under normal conditions, the railroad division is the most important, but in years of restricted railroad purchases, the company has been compelled to fall back on the products which it supplies to the automobile industry. These consist of castings for axles, differentials, steering gears and transmission housings. Among its customers the company numbers some of the largest automobile manufacturers. In addition to the products sold to the railroad and automobile companies, the company makes various kinds of chain, castings, pig molds for various metals, conveyor buckets and small wheels for industrial cars. The present organization was formed in 1923 and succeeded to a business organized some years before the turn of the century. The past record of operations has been generally favorable, and dividends were paid on the common stock by the predecessor company every year between 1891 and 1923 and in only two years—1933 and 1934—was the record interrupted by the present organization. In 1936 and 1937 dividends at the annual rate of $2 a share were paid, but no action was taken on the dividend usually paid around March 31st this year.

The action of directors in deferring dividends may be attributed to the various uncertainties present in the outlook for the company's two principal customers — the railroads and automobile industry. Moreover, operations in the first quarter resulted in a loss of $418,738 after interest, depreciation and taxes, and was in marked contrast to the profit of $1,148,393, or the equivalent of $2.43 a share on the capital stock, shown in the initial three months of 1937. In the latter period, however, profits totaling $434,849, derived from the sale of securities, substantially augmented earnings from regular operations. For the full 1937 year, profits amounted to $1,945,723, equal to $4.02 a share on 483,961 shares of capital stock, which comprise the entire capitalization. In 1936 the shares earned the equivalent of $2.39. Financial position at the year-end was comfortable, with current assets, including $2,524,209 in cash and Government securities, amounting to $7,184,231, compared with current liabilities of $1,346,390.

Granted that the company's prospects, over the next three months at least, do not shape up in a manner to inspire much enthusiasm, the longer term outlook is not without more hopeful aspects. The proposed assistance to railroads in the form of loans aggregating $300,000,000 for the purchase of equipment may conceivably impart considerable impetus to new equipment buying. It is a foregone conclusion that 1938 will be a poor automobile year. However, the industry is looking ahead confidently to 1939 and present plans calling for large-scale retooling activities suggest that the industry plans to effect sweeping changes in models for the purpose of stimulating sales.

Granting, therefore, that the company's prospects are largely speculative, nevertheless, prevailing quotation for the shares would appear to place full emphasis on the unfavorable aspects, without, however, seeming to allow for the possibility of any turn for the better. With only a comparatively small number of shares outstanding, any improvement in operations would produce immediate and substantial upturn in per-share results. Acquired at recent levels around 16 and held on a longer term basis, the shares may be credited with potentialities of fairly substantial proportions.

Trading Opportunities in Technical Indications

(*Continued from page* 95)

the sale of the long position at approximately 41 to establish the first loss in five trades. Some traders at this juncture would attempt to recoup the loss by selling twice the amount of stock purchased in the original commitment, however, the inexperienced trader is far better off to simply sell his long position after a false break-out to await another formation. In the interim his mental attitude toward the loss will be tempered and his faith in the pattern will not be warped as it would if a secondary false move resulted in another immediate loss.

Although a small triangle formed in November with a three point base at the 40 level action was not taken as the base was not considered of sufficient breadth with only one gap and the construction of a larger design was awaited. In late November, a strong base was established at the 37 level to form the descending triangle (F) and a long position was taken after the stock rallied to break out of the triangle at 40. This leg measured four points from 37 to 41 and the subsequent movement carried one point further to 45.

It is needless to describe the remaining triangle formations (G) and (H) since both more than lived up to their measurements and action taken on the break-out point proved highly profitable in both instances.

In the month of April, it appeared

Forthcoming Dividend Meetings

Company	Time	Date
American Radiator S. S. Com. & Pfd.*	4:30	May 10
American Sugar Ref. Com. & Pfd.*	——	May 18
American Sumatra Tobacco	3:00	May 20
American Telephone & Telegraph	12:00	May 18
Armour & Co. (Del.) Pfd.*	11:00	May 20
Atlantic Refining*	——	May 10
Beech-Nut Packing*	——	May 19
Bucyrus-Erie Pfd.*	——	May 9
Budd Wheel Pfd.*	10:30	May 20
Bullard	2:30	May 17
Case (J. I.) Co. Pfd.*	1:00	May 12
Chesapeake Corp	3:00	May 17
Chesapeake & Ohio Com. & Pfd	2:30	May 17
Congoleum-Nairn*	2:00	May 10
Continental Can Pfd.*	9:30	May 10
Continental Oil*	——	May 18
du Pont (E. I.) de Nemours Com., Pfd. & Deb	11:15	May 16
Eastman Kodak Com. & Pfd	12:00	May 11
Humble Oil and Refining	11:00	May 16
International Harvester	2:00	May 19
Kennecott Copper	11:45	May 17
Lake Shore Mines, Ltd.*	——	May 16
Libby-Owens-Ford*	2:00	May 10
Liggett & Myers Tobacco Pfd	12:00	May 18
Lone Star Cement	9:00	May 18
Mesta Machine	11:00	May 20
National Dairy Com. & Pfd	10:30	May 19
National Sugar Refining	11:00	May 17
New England Telephone & Telegraph	10:45	May 17
Otis Elevator Com. & Pfd.*	11:30	May 18
Penick & Ford, Ltd	3:30	May 10
Procter & Gamble 5% Pfd	1:45	May 10
Pullman, Inc.*	3:15	May 18
Quaker Oats Com. & Pfd	10:00	May 20
Swift & Co.*	——	May 19
Texas Corp.*	10:00	May 19
Timken Detroit Axle Pfd.*	10:00	May 9
Underwood-Elliott-Fisher	12:00	May 12
United Carbon*	4:00	May 19
United States Gypsum Com. & Pfd	10:00	May 11
United States Tobacco, Com. & Pfd.	11:00	May 18
Waukesha Motor Co.*	3:30	May 17
Yellow Truck & Coach Pfd	9:00	May 18
Youngstown Sheet & Tube Pfd.*	——	May 17

All meetings on common stock unless otherwise noted.

* Approximate date.

for a time that an ascending triangle might develop with a 35 top level but the move to 36 prevented the establishment of a sound inverted base. The small triangle prior to the move to 36 was not considered as in the case previously described in mid-November because of lack of breadth in the inverted base at the 35 level. Small triangles usually do not generate the explosive quality to fulfill the leg measurement.

The stock has recently fluctuated in a rough trading range between the limits of 33 and 36. There is the definite possibility that one of these limit levels will provide a sound base with sufficient breadth for the erection of a triangle formation. With past history as a criterion, there is every reason to believe that the break-out, when and if the triangle is completed, will provide an opportunity for a profitable trade, barring a false break which is the bane of all triangles.

A summary of the triangle formations over the past year, shown on page 95, reveals that an operator acting only on the minimum measurement projections would have had an enviable record by comparison with the market as a whole and also with the results attained by the average trader. The recapitulation, of course, disregards the fact that the stocks could not have been sold at even figures and for the purpose of clarity, fractions, commissions and taxes have been omitted. It is interesting to point out that the stock alone has lost almost 50% of its original value at the high in July, 1937, while the results attained by trading on the triangle formations show a profit of almost 50% of the stock's value at that high.

Patience to await a complete broad formation is essential and at the present time a policy of watchful waiting is prescribed for the successful operation of this theory.

Promise of Bountiful Crops Helps Farm Equipment Companies

(Continued from page 85)

present discrepancy is, of course, relieved to some extent by benefit payments, which are not included in the foregoing ratios. Even so the farmer's buying power in terms of goods and services has lost ground, which will not immediately be regained if for no other reason than the fact that finished goods prices, carrying a larger burden of costs and wages, cannot be expected to be adjusted to lower demand as rapidly as the more sensitive farm prices.

Farm income has risen for five successive years and last year reached an eight-year high. During this time the farmer has progressively increased his purchases of manufactured goods and merchandise. Particularly significant, however, is the fact that the farmer has taken advantage of his more prosperous condition to get out of debt and reduce his financial obligations. Last year borrowing from federal loan banks declined and the farmer paid off $67,000,000 of principal of federal land bank loans, as compared with $49,000,000 in 1936. At the end of last year about 87 per cent of land bank loans were in good standing. Further evidence of te farmer's improved financial position is to be found in the greater percentage of cash sales of farm equipment last year and the larger percentage of cash involved in down payments.

Last year farmers purchased farm implements and machinery to the tune of about $610,000,000 and set a new high record of sales for the industry—about $3,500,000 better than in the previous peak year, 1929. Over a period of years the farmer has shown a tendency to spend about 5% of his cash income annually for new equipment. Purchases last year were equivalent to more than 7% of total farm income, suggesting some depletion in the backlog of needed replacements built up during the lean years of the last depression.

It has been the past experience of the farm equipment industry that the effects of a rise or fall in farm purchasing power are reflected in sales from three to six months later. During the year the industry has two active selling seasons—the spring, when demand is principally for tractors, plows and seeding machinery, and the fall when harvesting and cultivating equipment is in demand. The spring season, however, is the most active.

This seasonal pattern has stood the industry in timely stead this year. The farmer with ample funds and good credit has spent liberally for new machinery with the result that the farm equipment industry, contrary to the experience of many other industries, has been able to maintain operations in the first quarter at a level which compared favorably with first quarter activity a year ago. In fact sales of certain types of equipment were reported to have been 15 to 20% ahead of a year ago.

From this point on, however, comparisons may be less favorable. For one thing farm equipment sales last year picked up noticeably after the beginning of March whereas the trend this year will be downward from now on until the third quarter at least. The fact that rural retail sales have recently shown rather sizable declines throws some light

on the probable trend of farm equipment business.

Even at that, leading farm equipment manufacturers promise to make a better earnings showing than most manufacturers of other types of machinery and equipment. According to recent reports the industry expects to sell at least as many, if not more, of the small harvesting combines this year and thus far the sale of cultivators in most farming areas has held close to the 1937 level. Moreover, as a further offsetting factor to lower domestic demand, export business would seem to hold considerable promise.

Normally, export markets contribute from 15 to 20% annually to the sales volume of the farm equipment industry. The prestige of American agricultural machinery is world wide and in point of serviceability and versatility, the superiority of the domestic product has yet to be seriously challenged by foreign manufacturers. Last year $75,366,103 worth of agricultural machinery was exported. In the first two months of this year, however, exports totaled $12,620,140, an increase of about 50% over the first two months of 1937. So many unpredictable factors are present in the foreign outlook that it is impossible to estimate the probable demand in the months ahead. To the extent, however, that sales thus far have gained appreciably and may continue to do so, the outlook for the export division may be set down as definitely encouraging.

Weighing the favorable against the unfavorable factors, the latter admittedly appear somewhat more preponderant at this time. Making adequate allowance for the possibility of unforeseen developments, it would therefore appear a conservative estimate that aggregate sales of farm equipment this year may decline about 25% at the maximum. With the benefit of good crops, benefit payments and some general business improvement in the last half year, the decline may be held to 15 or even 10%. Again, however, it is noteworthy that in either case, the industry as a whole is likely to make a better showing than many other divisions of the durable goods field.

Industrial prominence in the farm equipment industry is confined to a comparatively small number of companies. Leadership is clearly held by International Harvester and Deere ranks second, although its sales volume last year was substantially less than a third of International Harvester's. While all of the more prominent manufacturers offer the farmer a fairly complete line of tools and equipment, important competitive advantages must be conceded to International Harvester and Deere because of their comprehensive sales organizations comprised of established dealers and factory branches. Also the ability of these companies to provide prompt and adequate service and repairs is another advantage. The industry, as a whole, however, is characterized by competitive harmony and has rarely been disrupted by price-cutting or other ruinous competitive tactics.

In one division of the industry, however, competition is becoming more spirited. This is in the development and sale of small low cost general purpose tractors. Recent years have witnessed the ascendancy of the tractor to a position of prime importance in the farm equipment industry. With the benefit of anything like normal prices for his crop, the farmer using a tractor is able to make important savings in operating costs. Farming with horses and mules is economical only when farm prices are severely depressed. There are estimated to be some 6,800,000 farms in the United States, of which about 2,900,000 range in size from 20 to 100 acres. Most of these cannot afford to operate the average tractor costing around $1,000, with the result that out of every 1,000 farms only about a third are tractor-equipped.

Attracted by this sizable market, two major companies, Allis-Chalmers and Deere, are offering a small tractor priced at $495 and suitable for general purpose work on small farms. The price of $495 is lower by about $250 than the lowest price model heretofore available. Allis-Chalmers has arranged to distribute its model on a national scale, while Deere's will be available only east of the Mississippi for the present. In addition to these companies, the two large mail order organizations have developed plans for the manufacture and sale of tractors and Henry Ford, who once manufactured tractors but subsequently retired from the field, is planning to re-enter the industry. Just what

DIVIDENDS RECENTLY DECLARED

Corporation	Rate	Period	Stock of Record	Payable
Acme Wire	0.12½	—	4/30	5/14
Borden Co.	0.30	—	5/16	6/1
Byron Jackson	0.25	—	5/2	5/16
Caterpillar Tractor	0.50	—	5/14	5/25
Caterpillar Tractor Pfd	5.00	Q	5/14	5/25
Chain Belt	0.20	—	5/2	5/16
Gamewell Co	0.25	—	5/14	5/25
Hearn Dept. Stores 6% Pfd	3.00	Q	4/28	5/2
International Harvester Pfd	7.00	Q	5/5	6/1
Lynch Corp	0.50	—	5/5	5/16
Macy (R. H.)	2.00	Q	5/6	6/1
Madison Square Garden	1.00	—	5/9	5/20
Manhattan Shirt	1.00	Q	5/10	6/1
National Power & Light	0.60	Q	5/2	6/1
Northern Pipe Line	0.20	—	5/13	6/1
Owens-Illinois Glass	0.25	—	4/29	5/16
Phillips Petroleum	2.00	Q	5/6	6/1
Pitney-Bowes Postage Meter	0.40	Q	5/2	5/20
Sears, Roebuck & Co	3.00	Q	5/10	6/10
Sherwin-Williams Co	0.50	—	4/30	5/16
Sun Oil Pfd	6.00	Q	5/10	6/1
United Engineering & Foundry	0.50	—	5/6	5/17
United Engineering & Foundry Pfd	7.00	Q	5/6	5/17
United States Steel Pfd	7.00	Q	4/28	5/20
White (S. S.) Dental Mfg	1.20	Q	4/30	5/16

Q—Quarterly.
All designations are common stocks unless otherwise noted.

these developments portend for the stability of tractor prices it is difficult to foresee. It is a fairly safe assumption, however, that most of the representative manufacturers can be depended upon to develop their own line of low price tractors, if the market and profits promise to make it worthwhile.

At this point, mention might be made of the noteworthy progress made by Allis-Chalmers as an important manufacturer of farm implements and equipment. In fact, last year farm equipment displaced in importance heavy machinery and other products manufactured by the company, and accounted for approximately 60% of the total sales volume.

Last year when wages and material costs were rising manufacturers advanced prices of farm equipment on the average of 10% and for the most part these higher prices are still in effect. Higher prices, however, have failed to directly result in any noticeable diminution in sales volume and most companies have been able to preserve a satisfactory margin of profit.

Leading equipment companies entered 1938 with substantially increased inventories and receivables on their books. With the benefit of a fairly active spring season, however, inventories would not seem to constitute an unwieldy problem, while on the other hand, it has long been the practice of farm equipment manufacturers to grant liberal credit terms to their customers. Most companies have established ample reserves against possible credit losses, but over an extended period of time these losses have been comparatively small and, on the whole, their credit experience has compared favorably with that of leading finance companies. At the same time, the policy of carrying a large volume of credits has necessitated tying up a substantial portion of earnings in receivables with the result that dividends have frequently been rather meager in relation to earnings. Furthermore, and for the same reason, the burden of the undistributed profits tax has fallen rather heavily on some farm equipment companies. This tax cost International Harvester $3,500,000 last year. In recent years, however, farm equipment companies have found it profitable to finance their customers, having benefited through the extremely low interest rates at which it has been possible for them to borrow funds. With the recent reaffirmation of the Government's easy money policy, this advantage will probably continue indefinitely.

The investor's choice of securities among farm equipment manufacturers narrows down to the shares of two companies — International Harvester and Deere. Allis-Chalmers might also be given consideration. Whatever the choice and regardless of whether one is seeking suitable longer term investment commitments, or whether emphasis is placed on shorter term speculative profits, the present setting still lacks the assurance born of clearly defined business prospects, and would therefore seem to preclude any choice but that of the shares of the more strongly situated companies in favored industrial fields. This is not to imply arbitrarily that the shares of other farm equipment companies are lacking in merit but they are charged with the risk always present in the shares of marginal companies when business prospects are uncertain.

Douglas Aircraft Co., Inc.

(Continued from page 93)

somewhere near $2,000,000, or $3.50 per share.

Getting back to more predictable matters, there is good reason to believe that sales this year will be larger than those of last, while profit margins should also be higher. This should be true even if the DC-4 should turn out a disappointment as far as immediate results are concerned. DC-4 is, after all, intended and built as a "super-liner" and better years than this could have been found for selling a luxury ship. The airlines who are to be its first purchasers have their own worries in the shape of falling traffic and stubborn expense budgets. No one in the Douglas organization could have been expected to foresee back in 1936 when the project was begun that it would be completed in the midst of general business gloom. The company is perhaps unfortunate in its timing, but it cannot be blamed for it.

Among the other drawbacks of the new transport are its cost per seat and its gigantic size. Even those who are willing to gamble on the Douglas record that it will be a triumph of engineering point out that very few fields in the country are large enough to supply it with takeoff space. Moreover, the plane will stress performance rather than economy, and the prospective commercial purchasers are in an economical frame of mind.

Otherwise, 1938 should be a very good year. Work was interrupted by strikes twice last year, but employees have since shown every intention of co-operating. The average number of men employed has risen from 2,348 in 1935 to 4,547 in 1936 and 7,197 last year, with consequent problems of assimilation. The stage has been reached now, however, where large numbers of relatively unskilled men could if necessary be utilized by thinning out the experts. Some such expansion would probably follow a sudden jump in export orders.

Not to be overlooked in its effect on working capital is the new policy of the Army in paying for its planes. Until now payments have begun after a certain amount of a contract had been completed, with instalments following in proportion. The Army has recently decided to liberalize its policy, making certain payments in advance and thus releasing the cash of its suppliers for other purposes. Douglas had close to eight million dollars tied up in contracts in process at its year-end, a good part for the Army, and had over four million dollars invested in materials, so this new development will make a substantial difference in bank balances. It also could comceivably have had some bearing on the remark of the president that dividends might be forthcoming this year.

Recognition of the company's relatively favorable current position and its impressive growth possibilities has caused the market to set a generous price on its stock. At one time last year the issue was selling at better than 44 times the previous year's earnings, and even in the present market the ratio stands far above the average at 23 times 1937 earnings. After having touched 26½ last Fall, the stock has

been as high as 46¼ and is now within a very few points of its high. Meanwhile, the sinking spell during which the averages went to new lows for the past several years was unable to drive Douglas below 31.

These technical considerations plus the company's bright industrial prospects commend the stock to those interested in capital appreciation.

The company has spent almost $2,500,000 on its plant and equipment in the last three years, has written off completely the cost of its DC-3 and a good part of the cost of the DC-4. As the situation now stands, this could very possibly be the year in which its true earning power might become apparent. Exports should continue to gain and Government business has shown no signs of a downtrend. There is more than a touch of irony in the fact that a "risky" airplane manufacturer faces such an encouraging prospect at the time when most conservative industrial companies are not only reporting lower earnings but are worrying intensely over what the next few months are to mean to them.

Essential Steps to Recovery

(Continued from page 71)

far the greatest element of operating cost—would be proper and statesmanlike. It will not be forthcoming. The only other quick remedy would be low-interest loans to such roads as are not hopelessly over-capitalized relative to normal traffic volume. The bankrutpcy laws should be revised in the interest of quicker reorganizations. The most effective long range help from the Government can only lie in general policies conducive to maximum economic recovery and traffic volume. *The record of the Interstate Commerce Commission is the best argument against placing reliance on still broader Federal regulation or planning through a new bureaucratic agency or otherwise.*

7. Put Social Security on a Pay-as-We-Go Basis.

The present Social Security tax system is a sham, an excessively deflationary drain on current productive endeavor and a standing invitation to loose fiscal policy and governmental extravagance. We should abandon the fatuous idea of building up a huge and fictitious "reserve," which will exist only on the books of the Treasury. These obligations should be paid as they come due and this can be done for some years to come at a much lower tax rate than is now in effect. *No change in this innovation is on the cards this year. The politicos are afraid too many voters would not understand.*

Happening in Washington

(Continued from page 75)

stand in finding earlier act unconstitutional since new law avoided pitfalls of destroying state sovereignity and denying fair treatment to all security holders. Incident shows courts do not block desirable reforms if Congress chooses methods wisely, and new law is believed quite satisfactory to most bond-owners.

Bureaucracy check, very timely and in much-needed quarter, was dealt out by Supreme Court in decision nullifying Dept. of Agriculture order under stockyards act because of star chamber methods and failure to grant adequate hearings; should have salutary effect on all government regulatory agencies.

Foreign policy of administration is undergoing a change as concerns affairs outside this hemisphere, forced by practical diplomats and obvious disinclination of Americans to interfere abroad. Instead of carrying out his desires of a year ago to shape world destinies, Roosevelt is now following along with old-world diplomacy.

The Investment Clinic

(Continued from page 97)

William McKinley, later President but a Congressman at the time of the happening, walked into a Washington stockbroker's office and said:

"I want to buy 50 shares of Erie. I am told that it will some day be

BANK, INSURANCE AND INVESTMENT TRUST STOCKS

ACTIVE ISSUES

Quotations as of Recent Date

BANK & TRUST COMPANIES

	Bid	Asked
Bankers (2)	44	46
Bank of Manhattan (1.50)	20	21½
Bank of N. Y. & Trust (14)	332	342
Brooklyn Trust (4)	72	77
Central Hanover (4)	85½	88½
Chase (1.40)	29¼	30¾
Chemical (1.80)	38	40
Commercial National (8)	130	136
First National (100)	1565	1605
Guaranty (12)	216	221
Irving Trust (.60)	10½	11½
Manufacturers (2)	33	35
National City (1)	23½	24¾
New York (5)	83	86
United States Trust (†70)	1475	1525

INSURANCE COMPANIES

	Bid	Asked
Aetna Cas. & Sur. (†1.75)	80½	84½
Aetna (1.60)	39¾	41¼
Aetna Life (†.50)	22	23½
Am. Surety (2.50)	38½	40½
Boston (†21)	525	535
Fireman's Newark (.30)	7¼	8½
Glens Falls (1.60)	37¾	39¾
Great American Ins. (†1.20)	22¼	23¾
Hanover F. (1.60)	27¼	28¾

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Hartford Fire (2)	65¾	67¾
Home Ins. (†1.60)	23½	25
Ins. Co. of North America (†2.50)	57	58½
National Fire (2)	52¾	54¾
Phoenix (†2.50)	70¼	72¼
St. Paul F. & M. (†7.50)	175	185
Sun Life Can. (15)	415	465
Travelers (16)	406	416
United States Fire (†2)	45¾	47¾
Westchester F. (†1.60)	27¾	29¼

INVESTMENT TRUST SHARES

	Bid	Asked
Amerex Corp	17⅜	18⅝
Brit. Type Investors	.29	.44
Bullock Fund	11⅛	12¼
Corporate Trust—AA	2.18	....
Fidelity Fund	15.91	17.13
Incorporated Investors	15.09	16.26
Maryland Fund	4.84	5.30
Mass. Invest. Trust	17.42	18.48
Nation-Wide Securities	2.51	2.61
No. Amer. Trust Shares 1958	1.90	....
Quarterly Income Shares	8.67	9.50
Spencer Trask Fund	13.00	13.68
Uselps Voting Shares	.73	.81

† Includes extras.

worth more money. Here is $500 and if you want more at any time let me know. In the meantime, however, do not bother me by telephoning or by sending messages relating to the stock. In making this purchase I intend to forget it until such time as the stock shows me a handsome profit. I will pay no attention to its fluctuations."

He had not left the office ten minutes when the telephone rang, and Mr. McKinley at the other end of the wire inquired: "How is Erie now?"

For Profit and Income

(Continued from page 99)

all such markets will be taxed no less than $10,000 annually. The ordinance imposes in addition a license fee of $200 on all concessions in food markets where the number of concessions is more than four. The A. & P. and American Stores are among the companies which appear to be directly affected by the new Camden measure.

It is quite evident from the legislation being inacted and that proposed, on the part of both local and Federal bodies, that there are powerful forces working towards the elimination of the chain system of merchandising. In other words, the tax weapon is being used, not as a means of raising revenue, but as a club to kill. For example, under the latest Patman bill which now pends before Congress, it is estimated that the A. & P. would be subject to a tax in excess of half-a-billion (not million) dollars annually. The investor who is seeing his capital being strangled and the consumer who apparently is disinterested in the fact that all these anti-chain-store measures mean a higher cost of living, should combine and fight the menace.

An Exceptional Railroad

That a railroad should earn more money in 1937 than it earned in 1936 is unusual, but that it should go on into 1938 and earn more in the first quarter this year than was earned in the first quarter of last is nothing short of remarkable. However, this is the record of the Bangor & Aroostook which earned in 1937 the equivalent of $4.61 a share of common, compared with $3.55 a share in 1936, while earnings in the first quarter of 1938 were equal to $2.92 a share against $2.80 a share a year ago. Nor is this unusual for the road, for it can look back on having paid dividends on its common stock in every year without interruption since 1904. In 1932 the common sold below $10 a share, but this did not prevent the road from paying dividends which totalled $2.37½ a share for the year. Moreover, the payment was earned with a substantial margin to spare. Today, the dividend rate is $2.50 annually and the stock can be bought for about $32 a share. As a railroad, the Bangor & Aroostook is not to be compared with the New York Central, Pennsylvania and the like, but we leave it to the individual to judge whether it is better to have invested in four-line tracks and stream-lined monsters, which lose money under any but the most favorable conditions, or to have invested in tracks and equipment not of the best, but out of which it appears money can always be made.

Extent of Hazards in Companies with Foreign Stakes

(Continued from page 82)

the world. Properties and interests are scattered throughout the globe. New York shares, which were delisted from the New York Stock Exchange at the end of 1936, are still held in this country. They represent, however, only a minor part of the company's total capitalization.

Singer Manufacturing. This maker of sewing machines has stores and salesmen in virtually every country of the world. In 1917 distributed to its own stockholders 75 per cent of the stock of Singer Manufacturing, Ltd. (England) and part of this stock undoubtedly is still held by American interests.

Socony-Vacuum. Sells in practically every country in the world. Operates a number of refineries throughout Europe. The Standard-Vacuum Oil Co., jointly owned with Standard Oil (New Jersey) operates throughout the Far East and is a complete unit in itself—producing, transporting and refining. Socony-Vacuum participates to the extent of about 13 per cent in the Iraq Petroleum Corp. which has developed substantial reserves.

Sperry Corp. The Sperry Gyroscope Co., Ltd., is a wholly-owned subsidiary operating an important plant near London. Even apart from this, however, the company's business is thoroughly international in scope, the highly technical products being exported throughout the world.

Standard Oil of California. Jointly owns with the Texas Corp. the Bahrein Petroleum Co., Ltd., which holds valuable proven acreage in the Persian Gulf. The capacity of the refinery on the island of Bahrein was increased not long ago. In addition—also in conjunction with the Texas Corp.—has an interest in large and promising acreage in Arabia, Java, Sumatra and New Guinea.

Standard Oil (New Jersey). Does a world wide marketing business of tremendous importance and has an interest, direct or indirect, in promising and proven territory virtually wherever it is situated. It might be said that Standard Oil (New Jersey) depends as much, or possibly more, on foreign business than upon that done in this country.

Sterling Products. Has a manufacturing plant in England, while a number of foreign subsidiaries act as distributors abroad. Foreign business as a whole comprises about 20 per cent of the total.

Texas Corp. See Standard Oil of California.

Timken Roller Bearing. Has a large interest in companies manufacturing roller bearings in England, Germany and France. Indirect export business, such as when automobiles and other machinery is shipped abroad, is of considerable importance.

Union Carbide & Carbon. Has a number of manufacturing plants and sales offices scattered over Europe, Asia and elsewhere. It is not known what proportion of the company's business is derived from foreign sources, but it might well be as much as 20 per cent.

United States Rubber. At the end of last year had some $15,000,000 invested in 135,000 acres of rubber plantations in Sumatra and Malaya. The export business done in manufactured products in considerable.

Warner Bros. Pictures. Has a plant in England, while in this and other important countries, the company effects distribution through wholly-owned subsidiaries. Foreign business is thought to account for about a third of film rentals.

Woolworth, F. W. There are Woolworth chains in Great Britain and Ireland and also in Germany. Operations in England have been exceedingly profitable and the investment which had a book value of some $32,000,000 at the end of last year was valued in the open market at $272,000,000.

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